WHAT IS IT WITH SAHARA AND REGULATORS? P 40

IT COMPANIES: NEED TO BARE MORE P 64

BLACKBERRY: DESPERATE FOR A LIFT P 76

HBR EXCLUSIVE
THE NEW CORPORATE GARAGE
P 138

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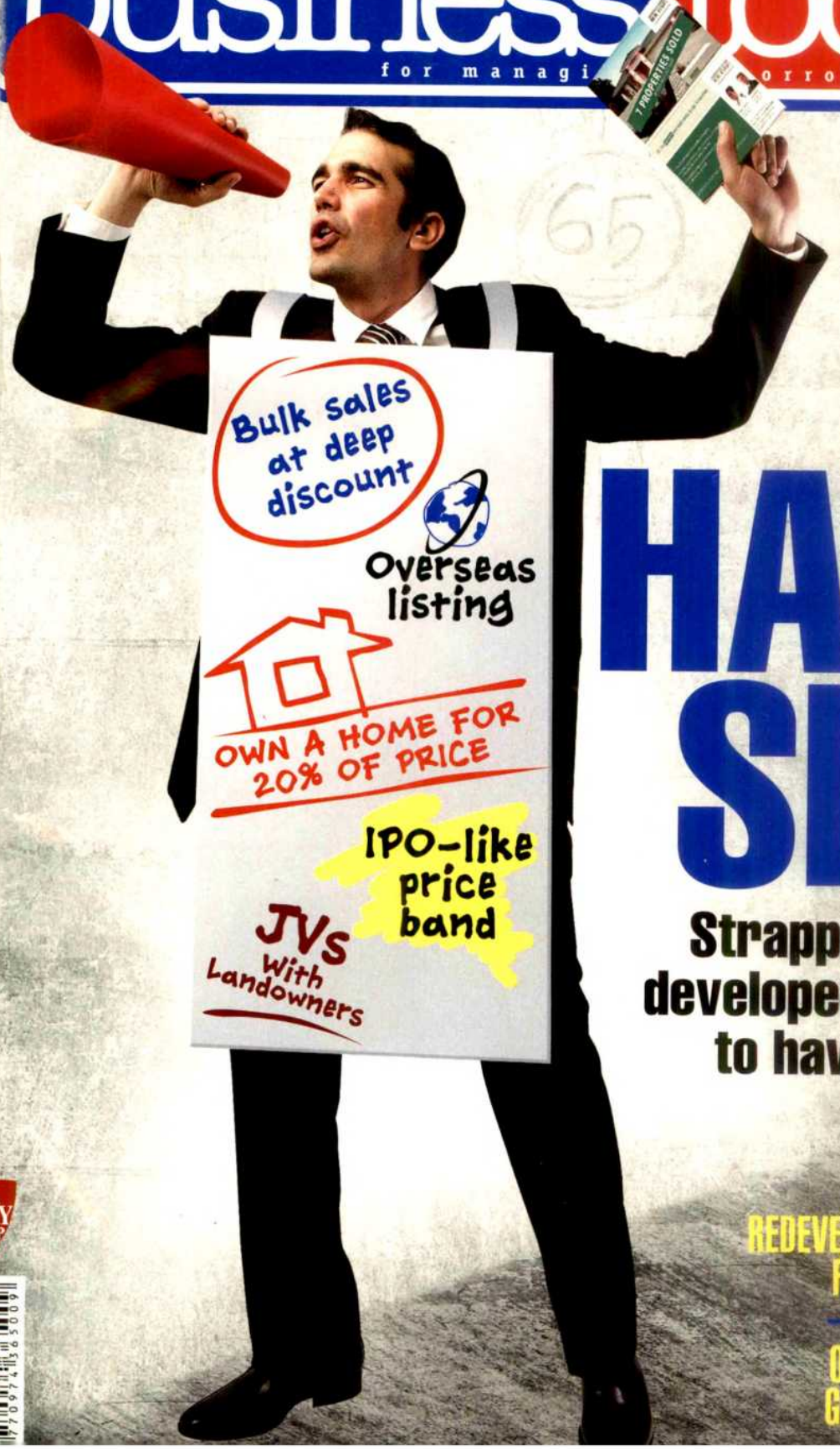

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HARD SELL

Strapped for cash, developers go all out to hawk property

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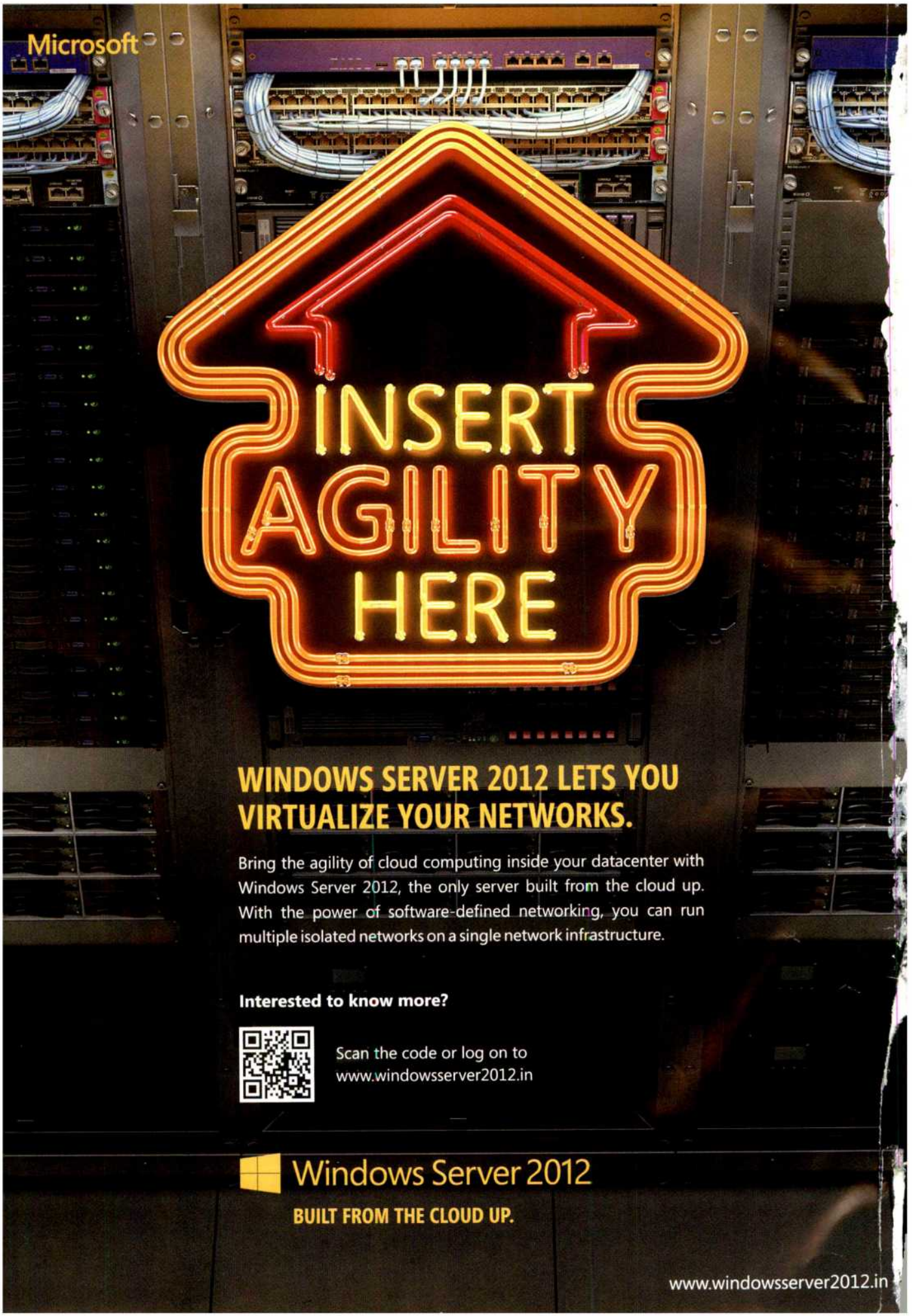
OLD-AGE HOUSING: GOLD FROM SILVER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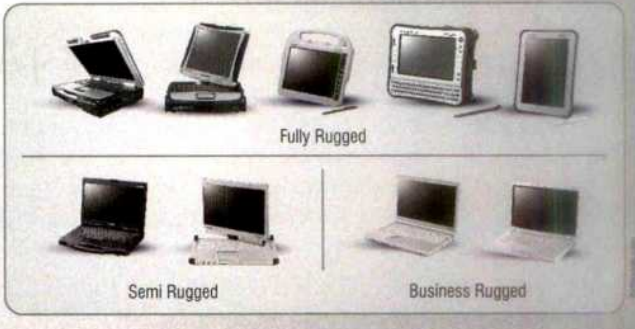

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TOUGHBOOK

TOUGHBOOK FOR A TOUGHWORLD

From the Editor

We need to place the AgustaWestland helicopter "kerfuffle" – as a former defence minister put it – in context. The 12 AW101s were headed for the Indian Air Force's Communication Squadron, which flies VVIPs around, to replace its ageing Mi-8 fleet. The new helicopters are strictly not combat craft – they are personnel carriers and can also be used for surveillance or search and rescue operations. And they are expensive. The deal was worth about three-quarters of a billion dollars. We do want our leaders to fly in style, even within our borders – but who qualifies for the "VVIP" tag? Quite a list, as it happens, including unelected people who occasionally need to attend a wedding in some boondocks locale with the highest level of security. It should not really shock us. After all Rolls-Royce is about to roll out a line of customized chariots that have an Indian touch – and the former royal family of Rajkot has just brought back to Indian shores a 1934 Phantom II called the Star of India. Our maharajas need to scale up to the 21st century. So what is the context for the VVIP helicopters? Finmeccanica, the parent of AgustaWestland, has a large number of very, very expensive helicopter deals waiting to be consummated; every "defence deal" seems to be spiced with some corruption or the other; and for a thorough look at this mess you need to go to page 55 where Shiv Aroor spells it all out, helped by a scathing analysis by Maj Gen Mrinal Suman, a defence procurement expert, on page 60. The context also is that India is the world's biggest arms importer because we cannot get our act together on equipping our military. Our 2012/13 defence budget is close to $40 billion, which can only mean lots of pigs at the trough.

Our imperial canvas also portrays India-rubber men like Subrata Roy, the high priest of a cult that has hundreds of thousands of ordinary citizens drinking the Kool-Aid of financial nirvana while regulators and judges try to wrestle him to the ground. You have got to read Suveen Sinha's powerful portrait of Roy and the Sahara Parivar's "collective materialism" to understand the story somewhat (page 46). Somewhat, because the maze of deposit-taking schemes with names like Sahara.M.Benefit, Sahara.U.Golden and Sahara.E.Shine – and the truckloads of paper that Roy despatched to the Securities and Exchange Board of India when the regulator was ordered by the Supreme Court to verify Sahara documents preparatory to refunding ₹24,000 crore with interest to depositors – beggar the imagination. On February 13, after a direct prod from the Supreme Court, SEBI moved to attach the assets of two of Roy's main companies. It also froze the bank accounts and properties of Roy and three other directors of the companies. But don't for a moment think that this is the end of the saga. Mahesh Nayak tries to untangle some of the maddening mystery from page 40.

When you consider the fact that our country has hundreds of millions of inventive and imaginative people, many of whom are looking for permanent homes and their slice of the "Indian dream", you have got to hand it to developers, who try to come up with one scheme after another for housing projects – witness the number of text messages that hit your phone every day. But that does not mean things are all right. There is bad news all round. The number of new projects is falling, and the number of buyers is dwindling. People who paid huge sums of money are waiting helplessly to take possession. Suman Layak played the lead role in slicing through the superlatives to get to the disturbing facts, helped by Shweta Punj and G. Seetharaman. Alongside, Sarika Malhotra examines redevelopment schemes in Mumbai that are pulling in big bucks, and Manu Kaushik tracks the new bonanza for developers in retirement homes. The very comprehensive cover story package starts on page 80 and you will benefit from our reportage and analysis.

Chaitanya Kalbag

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Government's Failure

Your cover story *Wanted a Big-Bang Budget* (March 3) was a fine analysis of its various aspects. The UPA government has not only failed to continue the India growth story, but has, indeed, brought the GDP growth rate down to five per cent, the lowest in a decade. Why did Prime Minister Manmohan Singh, a noted economist, not do something about it? Will Finance Minister P. Chidambaram carry out the necessary corrections and bring about a boom with a single Budget? It will be interesting to watch how he balances controlling fiscal deficit with supporting subsidies on schemes like food security.

Jacob Sahayam, *Thiruvananthapuram*

Educative Discussion

The panel discussion on the Budget (*Keep Your Expectations Low*, March 3) was very educative. The government holds collective responsibility for the Budget proposals and it is unfair to flay any particular finance minister for them. Our tax proposals ought to be well thought out, clear and concise and should be continued for a few years without any major changes if we want to attract foreign capital. It is good to allow foreign law firms to operate here since a foreigner will feel comfortable with them (as Sarosh Zaiwalla notes in your People section). At the same time, instead of excessive dependence on foreign investment, we should increase the Indian contribution to India's growth. The finance minister has little control over debt servicing and subsidies. Though it has been claimed that the Food Security Bill will not increase subsidies much, one has to take that statement with a pinch of salt.

G. Venkataraman, *Mumbai*

More Competition Coming

The mobile services story (*The World at Your Fingertips*, March 3) has shown that things which were once considered distant possibilities, have become distinct possibilities in mobile telephony. The Telecom Commission's plan to allow Internet service-providers with broadband spectrum to offer voice services as well will lead to further competition in the mobile voice segment. However, the meagre number of mobile Internet users (around 80 million) is reason for disappointment. Through proactive policies, the government should ensure that all the communication services on advanced platforms are available to different segments of society.

B. Rajasekaran, *Bangalore*

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The government eyes ₹3,500 crore from sale of 10.8 per cent stake in SAIL
Hope this does not share the same fate that 2G auctions did.
Akshat Kapoor

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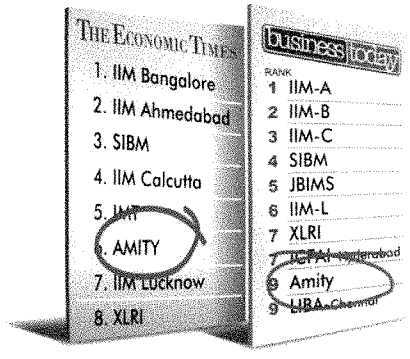

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CONTENTS

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MARCH/17/2013
VOLUME 22/NUMBER 6

COVER STORY 80

HOLES IN THE WALL

Property developers are turning over every brick to raise cash

94 | Rising from the Rubble
Redevelopment projects are luring big builders in land-starved Mumbai

100 | Gold from Silver
Realtors are pouring big money into homes for people in their silver years

UPFRONT

10 | Quick takes on major events

14

FOCUS

14 | Blind Man's Bluff
GDP growth forecasts in an uncertain macro-economic environment can be misleading

16 | Sky Wars
Malaysian budget carrier AirAsia's tie-up with the Tatas will lead to a shakeout in India's aviation sector

20

20 | No Safe Landing
Banks are closing in on Kingfisher. Can Vijay Mallya's own wealth help him out?

28 | Graphiti: On Service Tax

COLUMN
36 | Sanjeev Sanyal, of Deutsche Bank, on the current economic conditions in the US and China

FEATURES

40

40 | Jack in the Box
Despite a pummelling from regulators and courts, Sahara has inexhaustible ways of gathering public money

46 | Scent of a Man
Subrata Roy has started using imported perfume in response to his troubles with the authorities, but the group he has carved in his own image carries on regardless

55

55 | Deadly Downdraft
Blacklisting Finmeccanica over alleged kickbacks in the AgustaWestland helicopter deal will hit India's armed forces

64

COLUMN
60 | Mrinal Suman, defence procurement expert, on why the Indian defence industry is not self-reliant

64 | Dare to Bare
As traditional headcount-and-revenues evaluation of IT companies loses relevance, the software industry needs to disclose more

COLUMN
72 | Kanwal Sibal, former Foreign Secretary, on the significance of Cameron and Hollande visits to India

76 | Desperate for a Lift
Rave reviews, yes. But the new BlackBerry Z10 may not revive its maker's fortunes in India

107 | A Glimmer of Hope
A new arrangement promises to reduce transfer pricing disputes

107

111

COLUMN
111 | Arvind P. Datar, senior advocate of the Madras HC, says the tax demand made of Shell India is absurd and harmful

ONLINE

BALANCING ACT
With both financiers and customers in short supply, thanks to the two successive downturns of the last few years, the industry has been forced to adjust – and fast.
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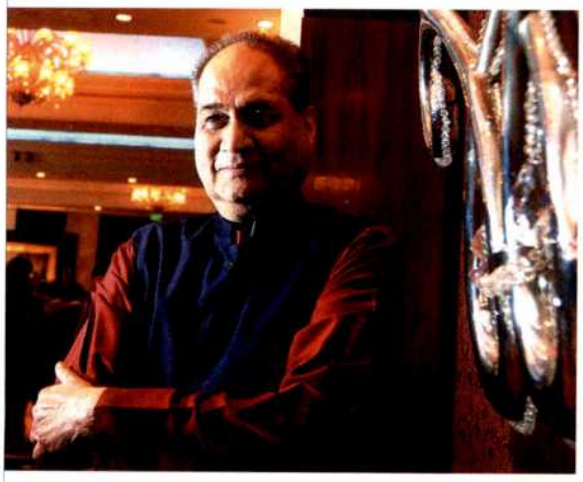
BLOGS

Making Sense
Anand Adhikari on why the government needs to look beyond gold when it comes to curbing imports.
businesstoday.in/anand

Startup Today
Taslima Khan discusses a new fund for microentrepreneurs.
businesstoday.in/startuptoday

CONTENTS

FEATURES



114

152

BOTTOMLINE
114 | Interview: Rahul Bajaj
"Moving out of scooters was not a good idea. I disagree with Rajiv"

120 | Young and Appy
Even school and college students in India are now developing apps for mobiles and tablets

128

128 | High and Dry
Between India's massive coal and iron ore reserves, and its power stations and steel plants, is a poor railway network

134 | Contrarian Wisdom
Though the mutual fund industry is struggling, Quantum's smart approach has seen it reap quick profits. But will the good times last?

138

138 | *HBR* Exclusive: The New Corporate Garage
Where today's most innovative – and world-changing – thinking is taking place

MONEY

150 | Debts of Gratitude
Make sure lending to a family member or friend does not become a problem later

LBNL

152 | No Country for Oscars
Winning an Academy Award rarely gives a film a revenue bump in India

RIGHT CLICK
154 | Identity Politics
Why the anonymity of the web may well disappear and what will replace it

EXECUTIVE HEALTH
155 | Work It Out
Ajay Bijli on the benefits of daily exercise

156

BOOKEND
156 | Inside(r) Story
A racy account of the rise of Rajat Gupta and the insider trading scandal that felled him

CAREERS
157 | When Salaries Turn Elastic
Variable pay becomes the norm across sectors

166 | PEOPLEBUSINESS

LEADERSPEAK
172 | Abhishek Khaitan, MD, Radico Khaitan

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Bandhs Are Back: Eleven central trade unions struck work for two days hitting key services, including banking and transport. Production in the auto hub of Gurgaon came to a halt as auto leader Maruti Suzuki and two-wheeler giant Hero MotoCorp shut their plants. The losses due to the strike are estimated at ₹26,000 crore.

Corporate

The government has decided to allow 4G licence holders to also offer voice services. This is seen as a boost to the **Mukesh**

Ambani-controlled Reliance Industries' telecom re-entry plans. Companies with 4G spectrum can offer voice calls by paying an additional ₹1,658 crore for a pan-India licence. Until now, only Bharti Airtel has launched 4G services. Reliance's imminent entry may shake up the market the way it did when it bundled low-cost services with low-cost handsets a decade ago.

The spectrum auction starting on March 11 faces a new hurdle, with Bharti Airtel and Vodafone India challenging the Telecom Department's decision to auction 900 MHz airwaves in the Delhi High Court.

Wipro Chairman **Azim Premji** will commit more of his wealth to philanthropy. In 2010, he had donated 8.7 per cent of the total stock of Wipro from his personal stockholding.

Low fares are back. India's second-largest carrier, **Jet Airways**, has offered two million seats at discounted rates for travel up to December 31 this year. **SpiceJet** came up with its own scheme, offering a million seats for travel between February and April. **GoAir**, **IndiGo** and **Air India** followed suit with similar or lower discounts on select routes. After **Kingfisher Airlines** was grounded, skyrocketing fares forced passengers to opt out of air travel. The latest offers are a bid to stimulate the market with deals and discounts.

Samsung and **Apple** are engaged in a smartphone war in India. After sales of Apple's iPhone picked up, thanks to its EMI scheme, Samsung launched a mega campaign, reintroducing its EMI scheme for high-end phones. With BlackBerry 10 devices set to launch in India shortly, the action will only hot up.

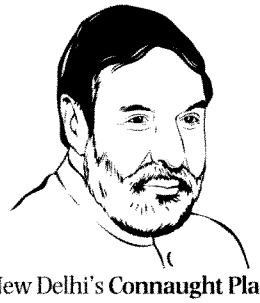
Switzerland-based Nestle, the world's biggest food company, has withdrawn beef pasta meals sold in Italy and Spain after finding traces of horsemeat in them. The scandal has left a sour taste in the mouth of consumers, with a fifth of adults indicating, in a survey, that they had cut down on purchases of meat.

China has a new status: the world's biggest trader. The country has surpassed the United States in total imports and exports by a margin of $44 billion. Beijing insists it is a developing country. Last year, Chinese imports and exports totalled $3.86 trillion, compared with America's $3.82 trillion, according to trade information from both countries.

Economy

India has suspended **jewellery** imports from **Thailand** as exporters from other countries have been taking advantage of the Indo-Thai early harvest scheme to take advantage of the concessional duty of one per cent. India has raised the import duty on gold by up to 10 per cent to curb high consumption, which has pushed the current account deficit to record levels. Gold jewellery imports from Thailand touched $92 million in the April to November 2012 period, against $13 million in 2011/12. Of $92 million, $72 million was imported in October and November.

India's exports are likely to miss the target of $360 billion in 2012/13 and settle at $300 billion because of the slowdown in demand in traditional markets, according to Commerce and Industry Minister **Anand Sharma**.



New Delhi's **Connaught Place** is the world's fourth-most expensive office location. It is ahead of even Tokyo and New York, according to a survey by global real estate consultant Cushman and Wakefield. London's West End is the most expensive, regaining the top spot from Hong Kong's central business district after five years. Rio de Janeiro in Brazil took the third position.

$1.01 bn

The investments by private equity firms in 82 deals in India during the October to December 2012 quarter. This is a decline of 32 per cent from the same quarter a year ago, both in value and volume of deals, according to a PwC report. The IT and ITeS sector is the leader, with 30 deals worth $167 million.

$17.1 bn

The estimated global revenues from business intelligence software by 2016, as enterprises focus on ways to improve decision-making and analysis. The revenues are expected to grow seven per cent and reach $13.8 billion in 2013, according to research firm Gartner.

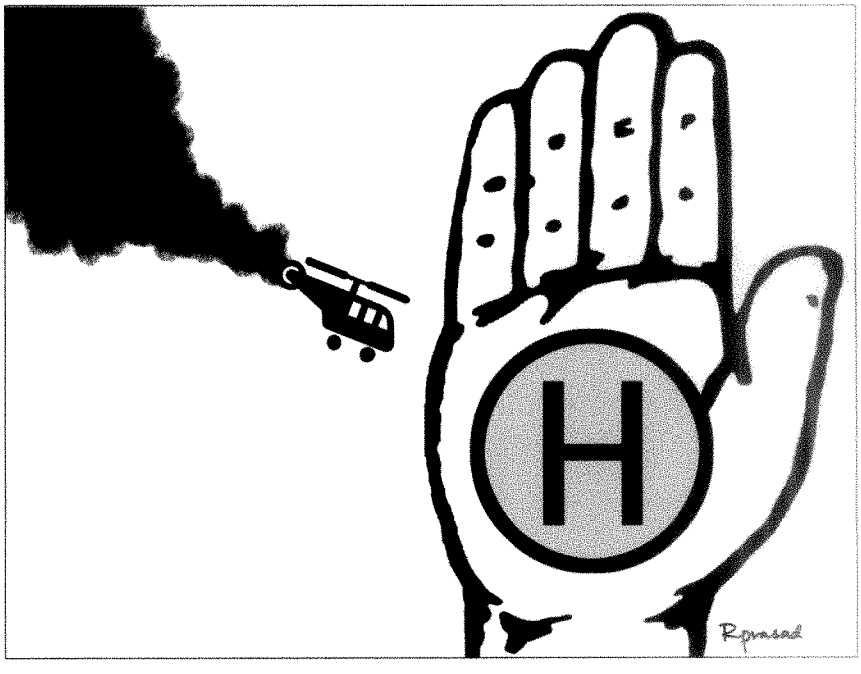
Markets

The **Finance Ministry** has cut market borrowing for 2012/13 in a bid to keep the fiscal deficit within the revised target of 5.3 per cent. It has cancelled the auction of government securities for ₹12,000 crore. The government has so far borrowed ₹5.5 trillion in 2012/13.

Microfinance institutions have reported a healthy clip in loan demand. They have disbursed loans totalling ₹6,194 crore in the October to December quarter. This is an increase of 22 per cent over the July to September period. Interestingly, MFIs outside Andhra Pradesh, the hub of these institutions, reported 70 per cent of the total loan disbursement. A restrictive state law has halted MFI activities.

Coming Up

- The RBI has issued guidelines on new bank licences. This will pave the way for corporate houses to enter the banking sector. Companies must apply by July 1.
- Planning Commission Deputy Chairman Montek Singh Ahluwalia has said that the government is likely to shortly clear several of the 39 oil and gas fields stuck for want of clearance by the Defence Ministry.
- The 14th edition of Asia's largest media and entertainment event, FICCI Frames, will be held in Mumbai from March 12 to 14. This year's theme is *A Tryst With Destiny: Engaging a Billion Consumers.*



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FOCUS

20 Kingfisher: No Safe Landing

22 MCX-SX: Quiet Start

28 Service Tax Burden

BLIND MAN'S BLUFF

GDP growth forecasts in an uncertain macroeconomic environment can be misleading.

By **SANJIV SHANKARAN**

Duvvuri Subbarao is unlikely to forget 2012/13 in a hurry. The Reserve Bank of India governor had to spend the better part of the financial year trying to figure out just how much monetary policy could be eased and when. It proved to be a particularly difficult task largely because his team's gross domestic product (GDP) forecasts, on which monetary policy decisions are taken, were constantly changed.

In a space of just 10 months in 2012/13, April to January, the RBI put out four forecasts of GDP. Beginning with 7.3 per cent in April, the number was thrice revised downwards. By end January, Subbarao forecast the economy would grow just 5.5 per cent in the current fiscal year.

IN A SPACE OF JUST 10 MONTHS IN 2012/13, APRIL TO JANUARY, RBI PUT OUT FOUR FORECASTS OF GDP

The perils of forecasts in turbulent times were once again brought into sharp focus on February 7 when the Ministry of Statistics and Programme Implementation came up with its advance estimate for 2012/13. If proved right, its projection of five per cent growth for the current fiscal year would make it the slowest growth year in a decade.

On the same day, the Finance Ministry pointed out the limitations of the Statistics Ministry's methodology while arriving at the advance estimates and reaffirmed that it would stick to its own forecast that the economy would grow a little faster. The projection by the Statistics Ministry was largely based on data for the first eight months of the fiscal year. The Finance Ministry mandarins argue that estimates based solely on past data can be inaccurate .

The Chief Statistician of India and head of the Statistics Ministry, T.C.A. Anant, is unfazed. "You can only capture what's there in the figures," he says.

Economists who make forecasts have a different take. They claim the fuss is really about techniques of forecasting. But the war of words also encapsulates the difficulty in making projections in turbulent times. N.R. Bhanumurthy, professor at National Institute of Public Finance and Policy, works on GDP forecasts for the Link Project, one of India's early private initiatives in making forecasts. He classifies the Statistics Ministry's advance estimate as the projection of existing trends. The others in the business make assumptions about everything from the price of a barrel of oil to what Finance Minister P.Chidambaram would do in the Budget, he says. "What we do is a conditional forecast and it depends on various assumptions," says Bhanumurthy, who last July forecast 5.9 per cent growth for 2012/13. The Link Project began in 1991 out of a collaboration between Delhi School of Economics and Institute of Economic Growth.

Anant's counter to the criticism about advance estimates is that his ministry is merely following its mandate. India's official statistical system uses the United Nations System of National Accounts as a template. A team of economists from outside the government, the Advisory Committee on National Accounts, also guides the official system. "It is a simple projection," says Anant. "It is based on the previous (financial) year's data as well as current year's."

What is implicit in Anant's explanation is that a simple projection will not take into account the two big policy announcements in the current quarter (January to March): RBI's decision to loosen monetary policy and the Budget, of which expectations are running high.

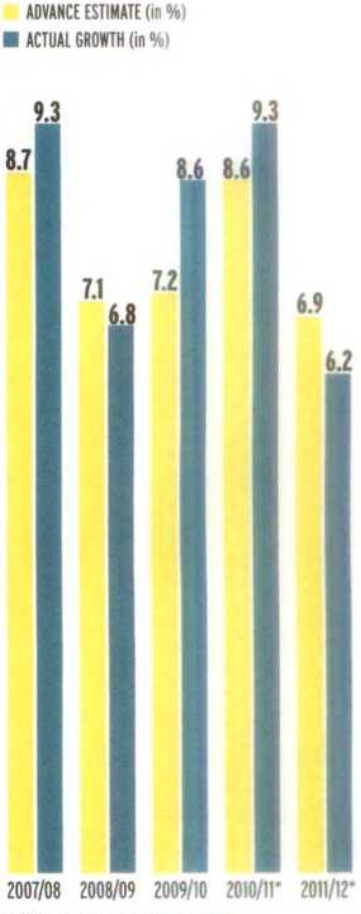
Does that imply people who factor in these announcements are more likely to be accurate? Credit rating agency CRISIL has analysts tracking 70 industries, making for an exhaustive database from which GDP forecasts can be made.

Its Senior Director and Chief Economist, D.K. Joshi, who heads the team of economists at the agency, doesn't seem to have it easy. "We revise our estimates around four times (in a year), sometimes even five," says Joshi.

Finally, it all seems to boil down to the environment. "Forecasting is easier in a stable environment," says Joshi.

Anant's "simple projections" are also likely to be more accurate in a stable environment. ◆

HIT-AND-MISS: ADVANCE GDP GROWTH ESTIMATES ARE OFTEN OFF THE MARK



*GDP numbers may be revised
Source: Ministry of Finance

Sky Wars

Malaysian budget carrier AirAsia's tieup with the Tatas will lead to a shakeout in India's aviation sector.

By K.R. BALASUBRAMANYAM

Tony Fernandes, CEO of Malaysian budget carrier AirAsia, has changed the face of travel in Southeast Asia with his low-cost business model. Now, the question on every Indian frequent flyer's lips is: will he succeed in doing the same in India?

The jury may be out on that, but industry experts say AirAsia will certainly shake up India's aviation market. The Kuala Lumpur-based airline has teamed up with Tata Sons and Telestra Tradeplace to launch a domestic airline in India where less than three per cent of the population flies. It will own 49 percent of the new airline, AirAsia India, while the Tatas will hold 31 percent and Telestra the rest.

The airline plans to launch with three to four Airbus A-320s this year, and scale up thereafter. "I think we can give a fair competition ... I think irrational competition has gone out of the Indian market. Now there are sensible businessmen running their (aviation) business sensibly," Fernandes said during a global teleconference from Malaysia.

India is certainly not an easy market, but AirAsia is no stranger to that. It pulled out of New Delhi and Mumbai last year, citing steep airport charges, though it still flies to five other Indian cities. But the new airline is betting on growing demand from smaller cities in India, which the International Air Transport Association forecasts will be the world's second fastest growing domestic air travel market in projections for until 2016.

With a huge market waiting to be tapped, the Malaysian airline plans to invest between ₹160 crore and ₹320 crore in the project. It has applied for Foreign Investment Promotion Board (FIPB) approval for the venture. "The new venture by the AirAsia-Tata combine will need to be ruthlessly efficient and innovative, and design a fare structure that will appeal to the middle class," says Capt. G.R. Gopinath, founder of India's first low cost carrier, Air Deccan. "India's passenger market is just inexhaustible."

Cyrus Mistry, Chairmain, TaTa Sons

But it may not be a smooth ride. India's aviation sector has been going through turbulent times because of high operating costs and fierce competition. Domestic passenger traffic fell six per cent in the first nine months of 2012 because of a steep rise in fares. Jet Airways, India's second biggest airline group by market share, said in an analysts' call. Almost all domestic carriers cut airfares last month to increase volumes, and AirAsia's entry is expected to spur more fare cuts. However, the budget carrier has a big advantage over the others: its cost per passenger kilometre excluding fuel is the lowest in the world at just $2. SpiceJet is close with $2.2.

Experts say IndiGo, Jet Airways, SpiceJet,

DOMESTIC AIRLINES ARE LIKELY TO DROP FARES FURTHER ONCE AIRASIA INDIA TAKES OFF

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WHAT AIRASIA'S INDIA ENTRY WILL LEAD TO...

- Smaller cities/towns will get air connectivity
- AirAsia-Tata combine will unleash fare war
- Passenger traffic will increase owing to lower fares
- Airlines' struggle for profits will continue
- Profit-making carriers will buy out sick ones

AIRASIA INDIA'S ADVANTAGE...

- Vacuum due to Kingfisher's absence
- Potential for double-digit passenger growth
- Easy import of aviation fuel to save on taxes
- Has a proven low cost model it can transplant here

Air India and Go Air are likely to come under pressure and drop fares further once the proposed carrier picks up momentum. Kingfisher Airlines is already on the verge of collapse because of massive losses and debts. "The sector will see a bloodbath before moving towards a phase of consolidation," predicts Amber Dubey, head of aviation at consultancy firm KPMG. "India, with its low flyer-base, regulatory challenges and high cost structure, cannot afford more than four strong national airlines."

AirAsia had been waiting in the wings ever since India opened the airlines sector to investment by foreign carriers about six months ago. But when Fernandes announced the decision to join hands with the Tatas, many in the industry were surprised. The Tatas pioneered civil aviation in India when they set up Tata Airlines in 1932, but the government took over the airline in 1953 and rebranded it Air India.

The group made some attempts at re-entering the market over the years, but its plans failed to take off. Now, it is back in the airline business under the Tata group's new chairman, Cyrus Mistry, albeit as a financial investor. "It (AirAsia) is not riding piggyback on others but stepping into a greenfield venture. The airline business requires deep pockets, and its association with the Tatas will take care of any equity issues," says Mahantesh Sabarad, analyst at Fortune Broking.

JP Morgan analyst Corrine Png says in a note that tying up with the Tatas/Telestra could facilitate access to route rights, accelerate regulatory approvals and provide a better understanding of the Indian market. She adds domestic airlines will be hit by AirAsia, which plans to operate out of Chennai. "We think this is negative for the Indian carriers, especially SpiceJet given its major presence in Chennai and Tier II/III cities exposure."

Some industry experts say AirAsia's entry into India's domestic market is aimed at insulating itself from any downturn in its business from international routes in the country. It is the 12th largest foreign airline in India with a weekly capacity of 18,720 seats to and from the country. "If the FDI had not happened, the airline possibly would have exited India owing to steep costs. Its domestic and international routes will now complement each other," says Sharan Lillaney, analyst at Angel Broking.

Globally, the revenues and profits are higher in international aviation. In India, too. Jet Airways, for instance, earned 57 percent of its revenues from international routes in the first nine months of 2012/13. International operations delivered profit margins of 19.7 per cent compared with 14.4 per cent from domestic operations during the same period.

Aviation experts say foreign airlines are unlikely to sit idle while international players such as Etihad Airways and AirAsia sew up partnerships in the country. They might find it easier to enter the country by picking up a stake in existing airlines such as SpiceJet, or even Kingfisher, instead of floating a new airline. "We had estimated that the FDI policy reform would lead to equity deals in two or three existing airlines and one or two fresh startups," says KPMG's Dubey.

The Indian customer certainly is not complaining. ◆

AIRASIA'S ENTRY MAY BE AIMED AT INSULATING ITSELF FROM ANY DOWNTURN IN ITS BUSINESS FROM INTERNATIONAL ROUTES IN INDIA

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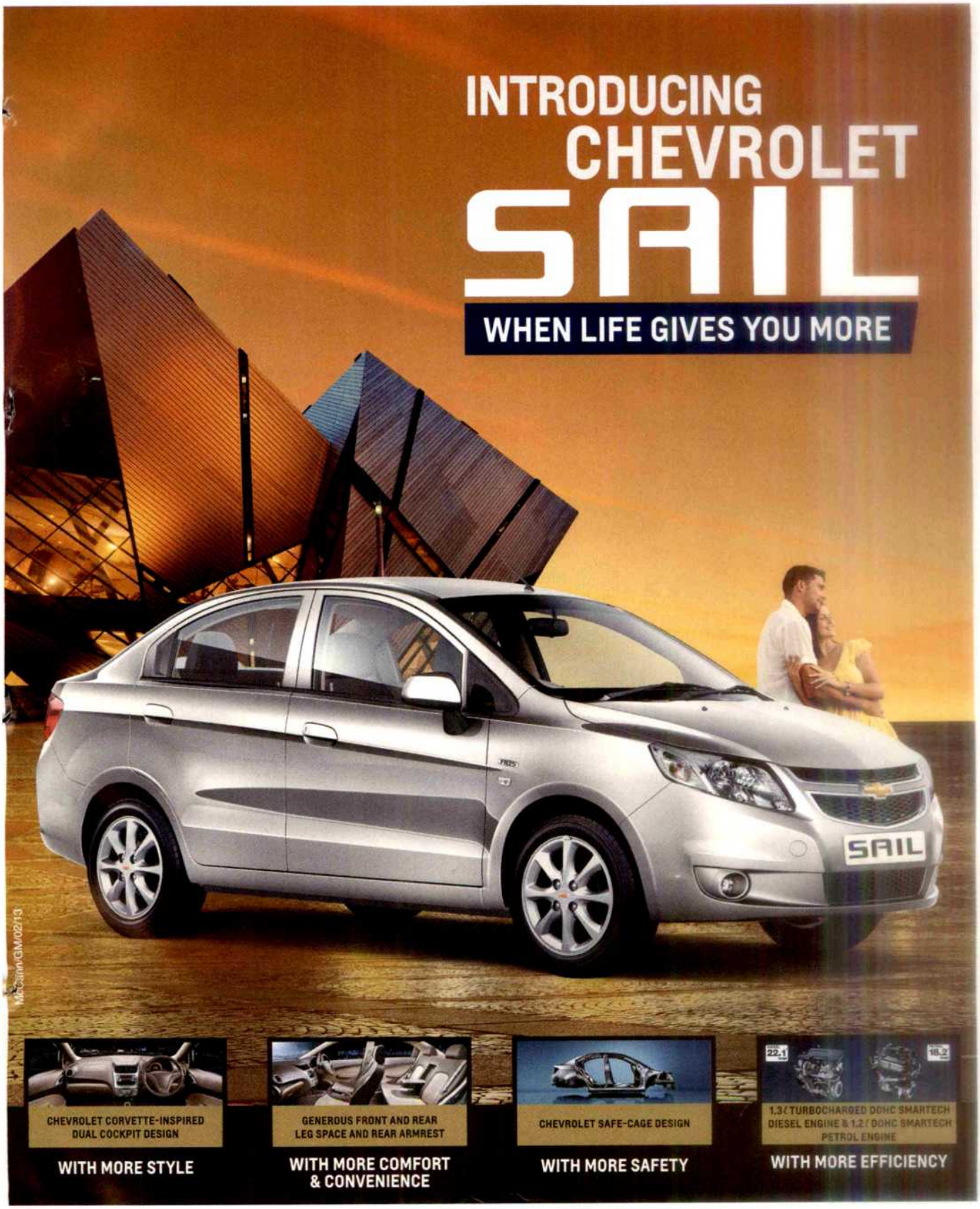

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No Golden Parachute

Banks close in on Kingfisher Airlines as Vijay Mallya's wealth jumps 74 per cent in a year. By K.R. BALASUBRAMANYAM

He owns one of the world's most expensive yachts, a Formula One team and one of India's biggest premier league cricket teams. The net worth of liquor baron Vijay Mallya and his family has almost doubled to more than ₹8,000 crore since UK drinks giant Diageo Plc picked up a controlling stake in United Spirits Ltd last November. But the man dubbed the "King of Good Times" is still having a hard time bailing out his grounded Kingfisher Airlines.

Business Today's research shows the net worth of Mallya and his family has leapt by ₹3,500 crore in the past year to ₹8,296 crore, while the Kingfisher Airlines stock has plunged to about ₹11 from ₹30 last year, wiping out almost two-thirds of investor wealth. The stock of the UB Group's flagship company, United Spirits Ltd, has jumped to about ₹1,800 from ₹685 in February last year, pushing up the value of shares held by Mallya, his family and his investment arms by ₹2,200 crore. The share price of another UB company, United Breweries, has also risen above ₹680 from about ₹410 in February last year. This increased the value of shares held by Mallya, his family and his investment firms by ₹1,400 crore.

Mallya has been talking to investors for months to sell a stake in the debt-ridden

Then and Now

Vijay Mallya's net worth, based on shares owned by him and his family in UB group companies

	UNITED SPIRITS	UNITED BREWERIES	UB ENGINEERING	MCDOWELL HOLDINGS	MANGALORE CHEMICALS & FERTILIZERS
FEB 2012	1,480.46	2,972.95	13.11	16.06	58.52
FEB 2013	3,679.96	4,388.55	6.48	17.04	42.71

Figures in rupees, crore; as per share prices on 15 Feb, '13 and 17 Feb, '12, and shareholding pattern for Dec '12 and Dec '13.

UNITED BREWERIES (HOLDINGS)	TOTAL NET WORTH
230.56	4,772
161.34	8,296

Kingfisher and raise funds to revive the airline which has not flown since October. But so far, he has made little headway, and the airline is nowhere close to taking off again any time soon. Kingfisher is saddled with a debt of more than ₹13,000 crore and lenders are now moving to recover their loans. The core group of a consortium of 17 banks led by State Bank of India (SBI) has decided to recall loans worth over ₹7,000 crore because the airline's promoters have so far not infused fresh funds. The loan recall is a demand for immediate repayment or else the lenders can take control of any Kingfisher assets they hold as collateral. "We will quickly proceed on the recovery process," says SBI Deputy Managing Director Shyamal Acharya.

BANKERS AND CREDITORS SUCH AS AIRPORTS MAY HAVE A TOUGH TIME RECOVERING EVEN PART OF THEIR DUES

Kingfisher has pledged several assets as collateral against the loans. They include the Kingfisher brand, prime properties in Mumbai and Goa, and shares of UB Group companies United Spirits and Mangalore Chemicals & Fertilizers. National Stock Exchange filings show 90 per cent of the promoter's 36 per cent holding were pledged as of December-end.

But experts say bankers and creditors such as airports and oil companies may have a tough time recovering even part of their dues. The banks have written off the airline brand which audit and consultancy firm Grant Thornton valued at ₹3,000 crore in 2010 because they think it has little value under the circumstances. Grant Thorton's valuation was based on the assumption that the airline would turn around with an infusion of funds. "Banks recall loans if a business ceases to be a going concern and stops operations altogether," says former Federal Bank Chairman M. Venugopalan.

The lenders have threatened to sell the shares of United Spirits and Mangalore Chemicals & Fertilizers put up as collateral. But one banker says selling the shares in the open market is not a practical solution as it would drive down the stock price. Acharya says the consortium owns shares worth about ₹500 crore in the two companies. UB Group officials are talking to banks about transferring the shares to Diageo through off-market transactions. "The banks explicitly support the transaction with Diageo and will work with us in finding an orderly method of disposal of some of the pledged shares to Diageo if appropriate," says a UB spokesperson.

Last month, the management paid a month's salary to some employees, but that may not be enough. The Airports Authority of India has taken steps to recover its dues from the troubled carrier. It has seized control of some planes parked at its airports and refused to allow lessors to retrieve them until the carrier pays airport dues of ₹390 crore. "The banks and the government have done all they could, but there are no positive signs visible from the Kingfisher management to restart the airline," says Minister of State for Civil Aviation K.C. Venugopal.

Last month, the main stakeholder in Kingfisher, United Breweries (Holdings) Ltd, sought shareholder approval to more than double its loan limit to the airline to ₹750 crore and slash investments to ₹750 crore from ₹1,200 crore. While markets gave the thumbs-up to the proposal, analysts say the move suggests the promoters prefer supporting the airline with debt rather than equity because they have little faith in its profitability. "If and when the airline goes under, UB (Holdings) too will cave in under the weight of the airline debt," says Kishore Ostwal, head of CNI Research in Mumbai. ₹ 39,965

Some media reports said Mallya may refer the ailing airline to the Board for Industrial and Financial Reconstruction (BIFR), the government agency charged with turning around sick companies. Kingfisher is saddled with accumulated losses of about ₹10,000 crore. But BIFR officials say the board does not consider non-industrial companies for rehabilitation. Either way, Kingfisher's turbulent patch is far from over. ◆

STILL A LONG HAUL

Trading on the MCX-SX gets off to a quiet start and it could take a year for the new stock exchange to make any impact.

By MAHESH NAYAK

New beginning: Finance Minister P. Chidambaram (third from left) and Vice Chairman of MCX-SX Jignesh Shah (right) at the launch in Mumbai

MANY ARE WAITING TO SEE WHAT THE MCX-SX CAN OFFER THAT IS DIFFERENT FROM THE NSE

After 15 years, a new stock exchange, MCX-SX, was born in India on February 9, 2013. It was a lacklustre launch – in the first few days volumes remained low with no participation from foreign institutional investors (FIIs). In the first seven trading sessions, the cash market turnover added up to just ₹2.33 crore. Derivatives turnover, too, was low at around ₹86 crore.

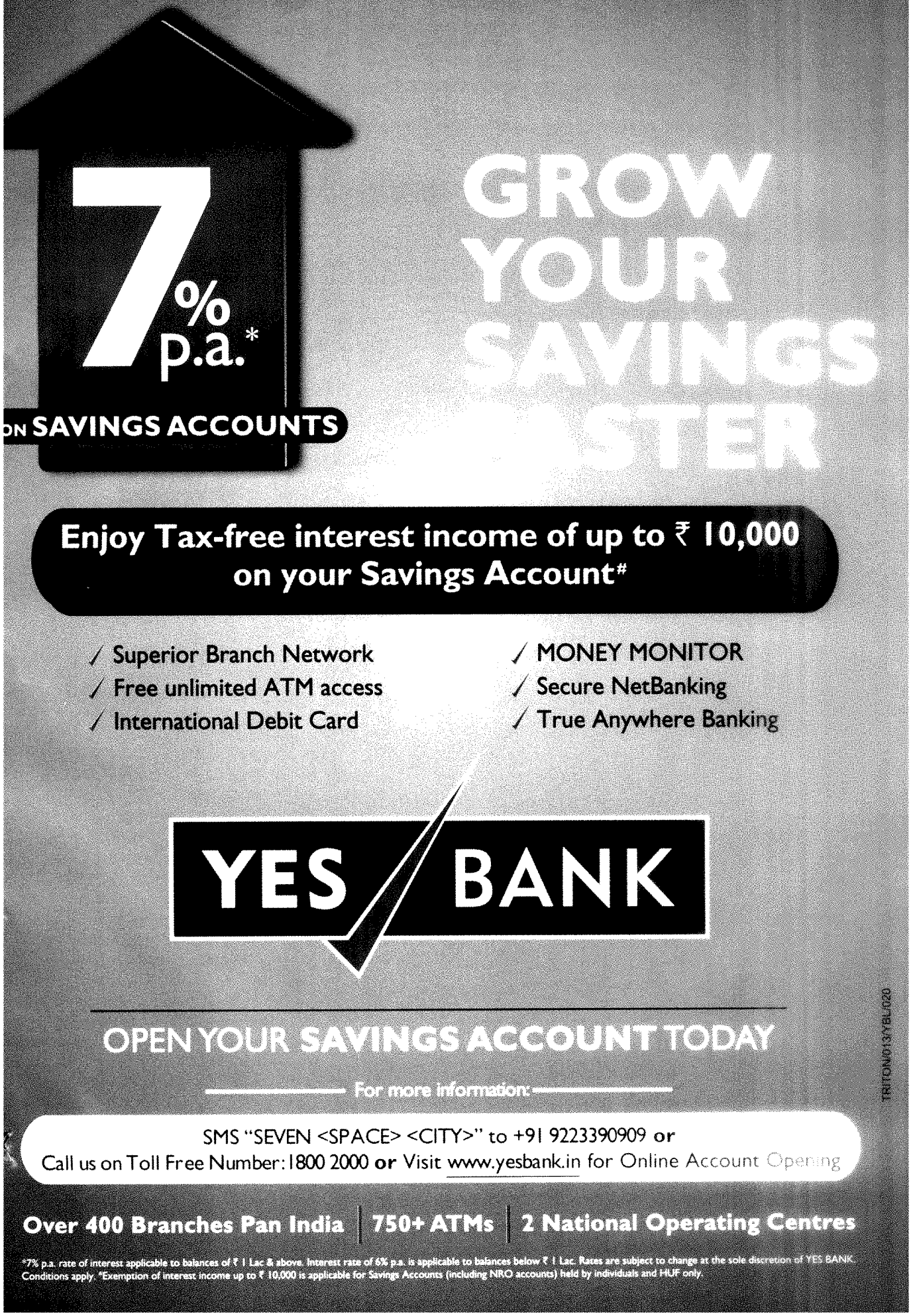
It is too early to come to any conclusion on the outlook for the MCX-SX. It will take a while, at least eight to 12 months, before the exchange can leave any impression on the street. Indeed, ensuring greater broker participation, both domestic and foreign, is a big challenge for the exchange. Today, there is only one FII in the list of 405 members registered with the exchange. A few other FII brokerages have signed up to become members after the exchange offered incentive schemes. Even if these FIIs come on board, it will take at least two to three months before they get approvals from the Securities and Exchange Board of India to trade on the exchange.

Many are waiting to see what the MCX-SX can offer that is different from the National Stock Exchange (NSE). In the cash segment, the NSE, on an average, has a market share of close to 80 per cent while in derivatives its share is over 90 per cent.

Technology could be one of the important differentiators for Jignesh Shah, promoter and Vice Chairman of the MCX-SX. His company, Financial Technologies, which is also one of the promoters of the MCX-SX, offers the trading software ODIN, and controls nearly 65 to 70 per cent of the software trading platform market. With Financial Technologies being a listed entity, it won't be easy for Shah to offer freebies to brokers to draw them towards the new exchange.

The other differentiator could be its product offerings to its customers. Already its flagship index, the SX-40, is an example of thinking out of the box. The index has 40 stocks, compared with 30 stocks of the BSE Sensex and 50 stocks of NSE's Nifty. Apart from the number of stocks, the SX-40 gives lower weightage to the financial sector. Thus, in a high interest regime, the SX-40 is likely to perform better than the other two indices. Also the SX-40 has some mid-cap stocks in its basket like Titan, United Spirits and Zee Telefilms, which are missing from the other two indices.

Shah plans to go all out to garner liquidity and generate interest in the MCX-SX. According to sources, two days before the launch of the exchange, his brother Manjay Shah had a series of meetings with jobbers (market makers who buy and sell shares, generating liquidity in the market). It has to be seen what strategy Shah finally adopts to make his presence felt in the market. One thing is clear though: he will not give up without a fight. ◆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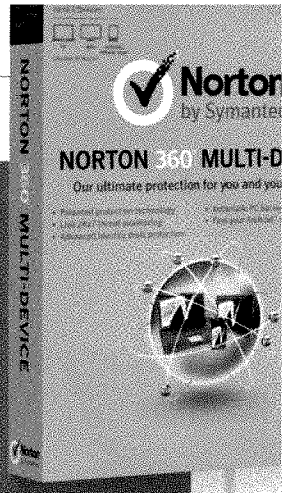

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One licence for five devices
Dashboard to control all devices

Limited use on iOS

Norton 360 Multi-device **Price:** ₹4,189

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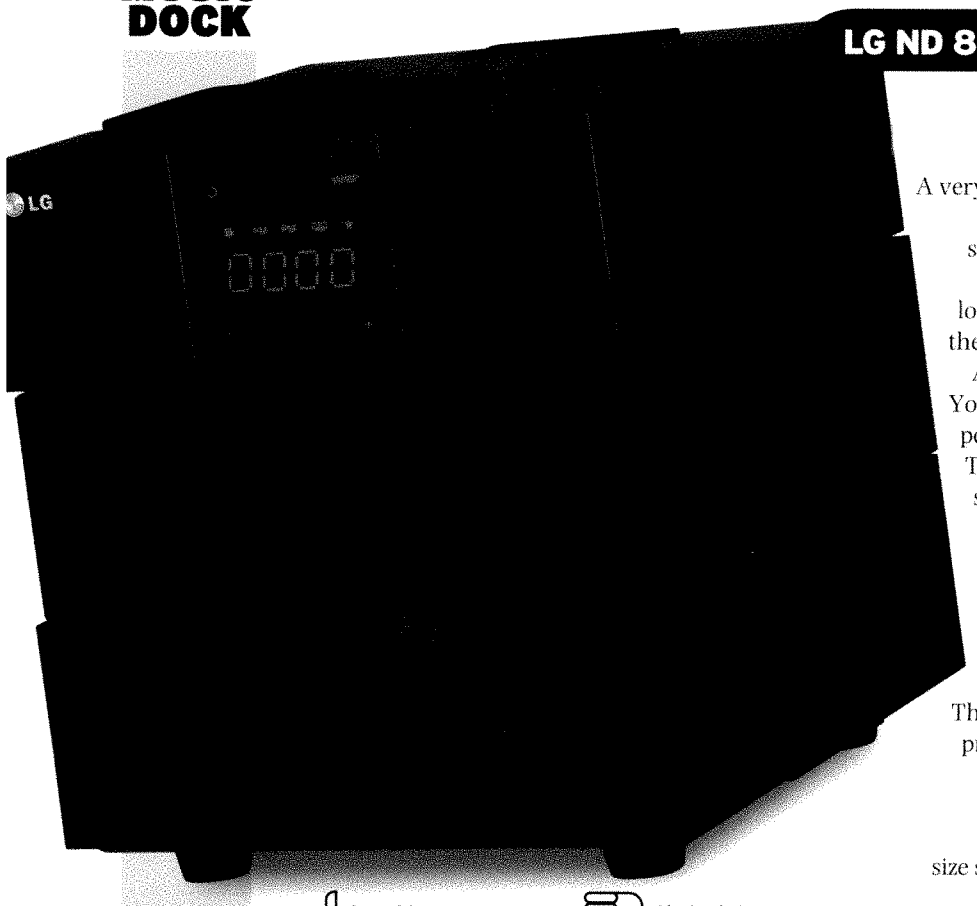

LG ND 8520 **Price:** ₹20,990

Very Sound

A very stylish looking music dock, the LG ND 8520 undoubtedly sports one of the most radical designs. This Rubik's Cube-lookalike is actually a dock for the iPhone, iPod and iPad with AirPlay as well as Bluetooth. You can also play songs from a pen drive or tune in to the FM. The device has a touch-based smart square for control and navigation. The sound quality is good, a bit louder than you would expect. It sounded a bit partial to bass, but then lot of people like their music that way. There is an equaliser with four presets, but it can be accessed only with the remote. With everything going wireless, this fruit carton-size speaker could be the answer to all your musical needs.

NANDAGOPAL RAJAN

Out-of-the-box design
Multiple inputs

Airplay is hard to set up
Limited controls on device

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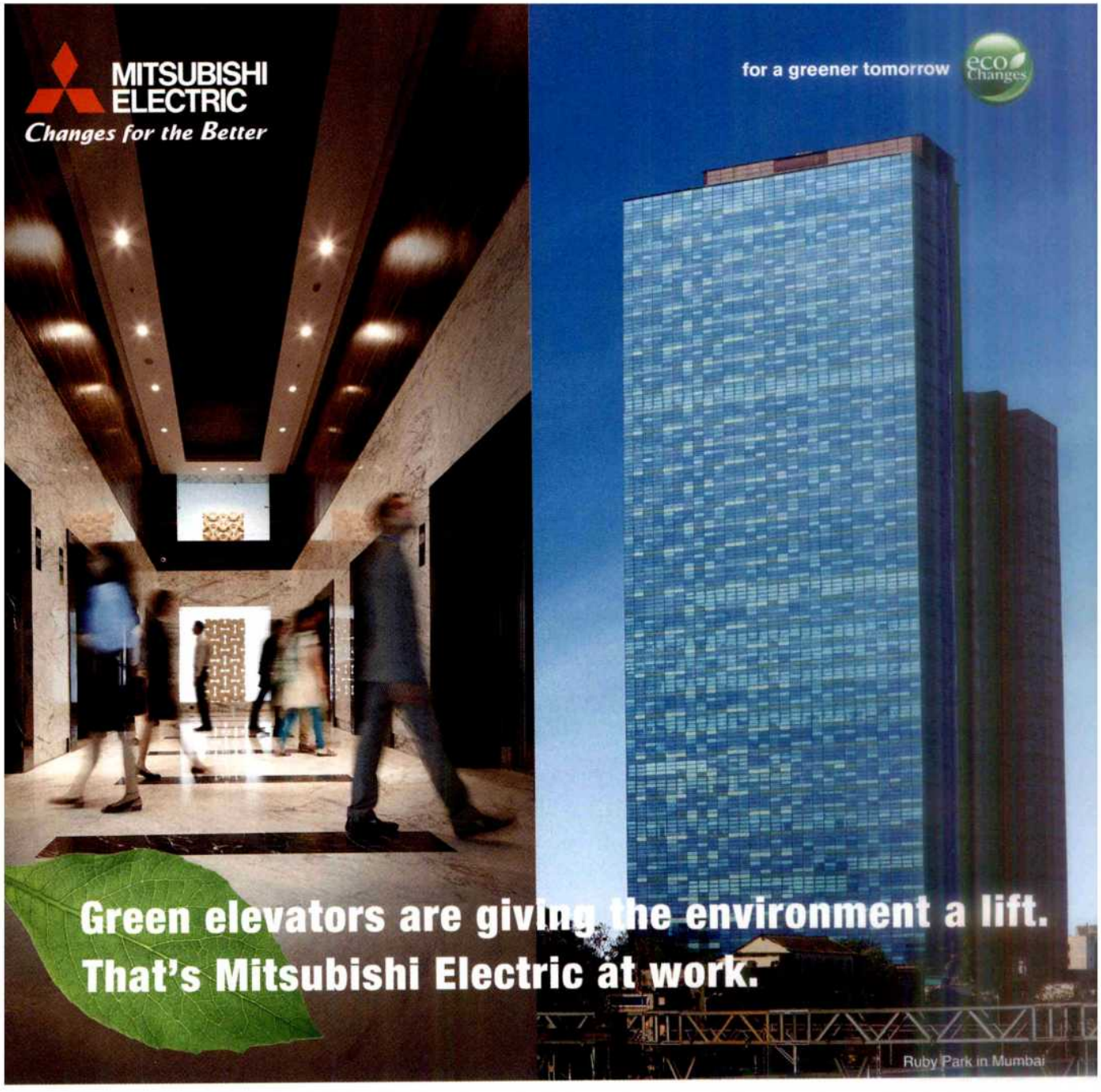

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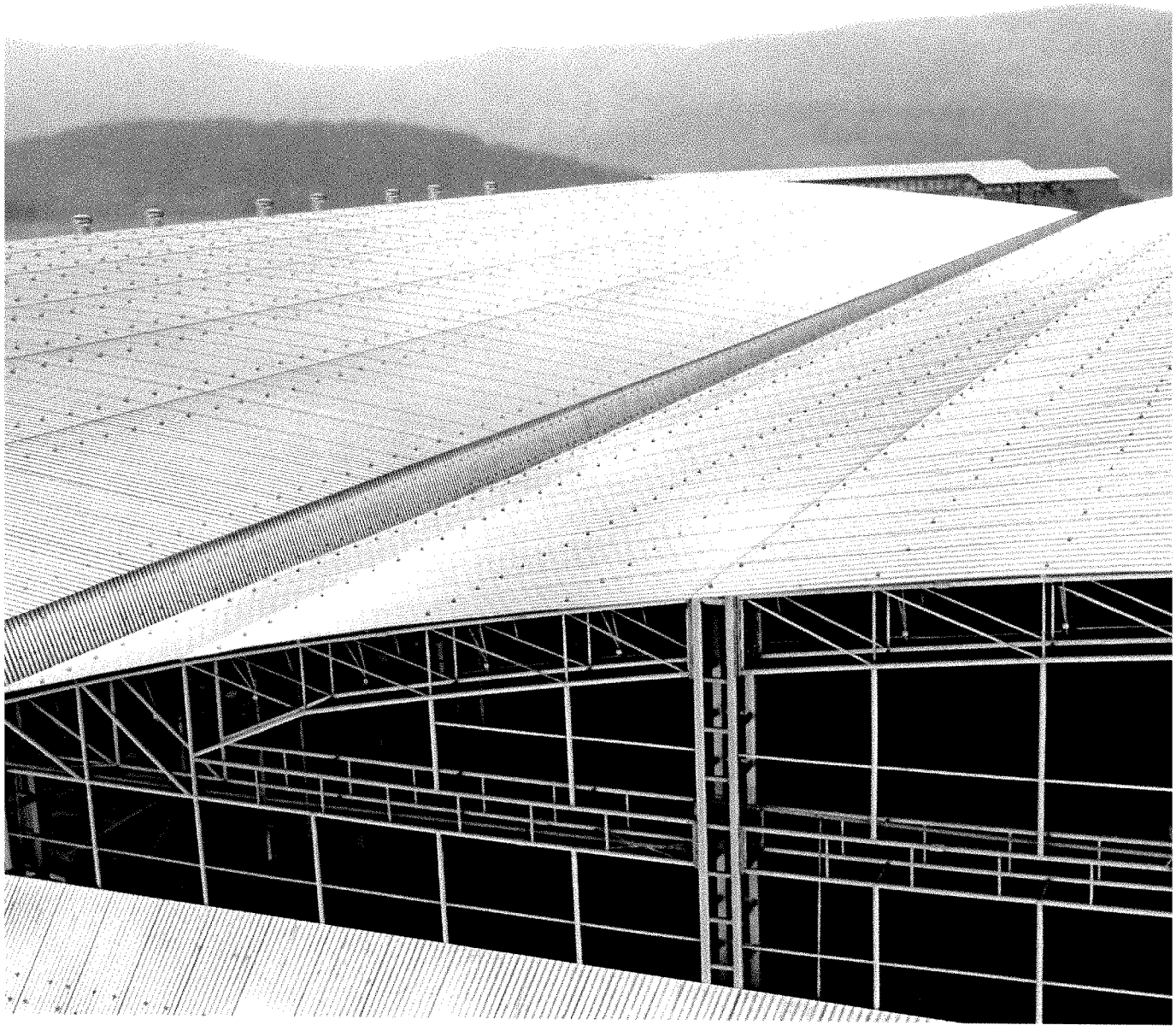

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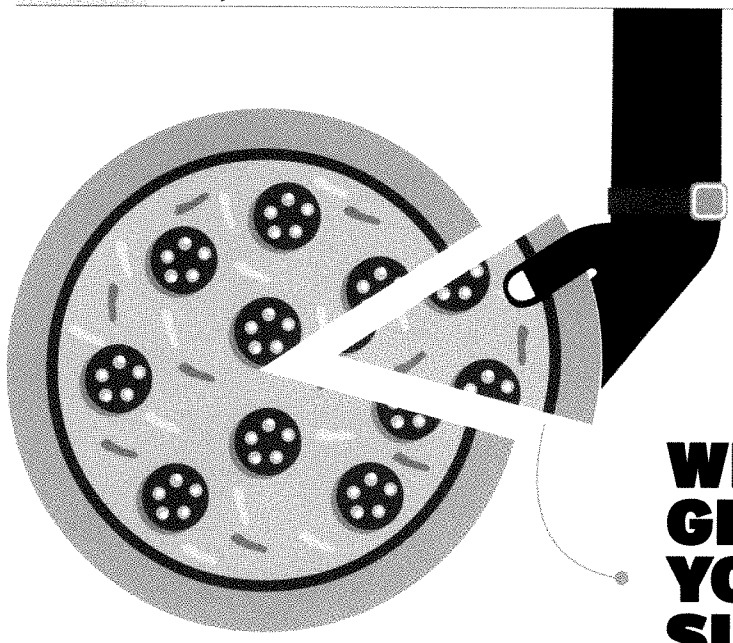
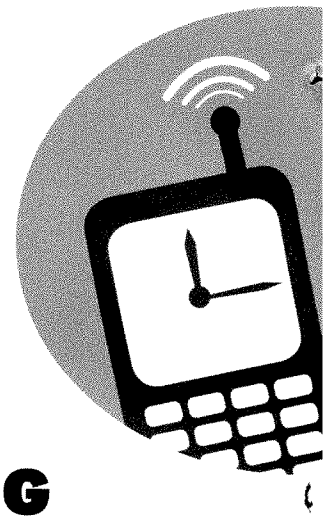


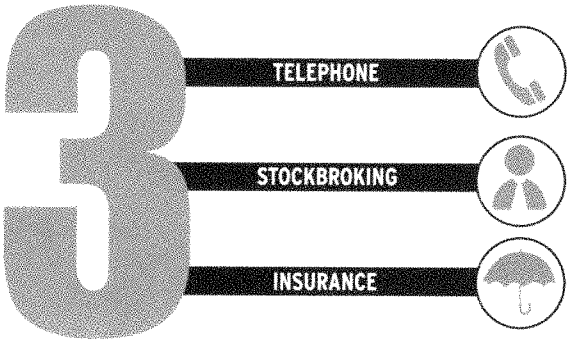


WHO'S GRABBING YOUR PIZZA SLICE?

IT IS SERVICE TAX. YOU DON'T KNOW IT, BUT YOU ARE PAYING THIS TAX SEVERAL TIMES - EVERY

FROM THREE TO INFINITY

Number of services covered in 1994



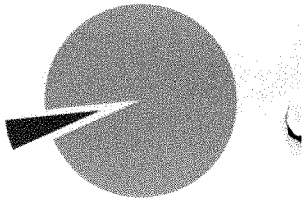
Number of services covered in 2012

INFINITE*

(*From last year every service except a few mentioned in the negative list is taxed)

MORE THAN 100% HIKE

Tax rate in 1994 **5%**



YOUR PAIN = GOVERNMENT'S GAIN

Total revenue from service tax

*Budget estimate

₹1,24,000* CR

₹407 CR

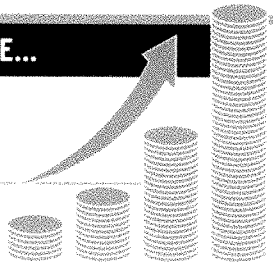
1994

2012

IT IS A GOLDEN GOOSE...

Growth in service tax revenue in 10 years **1,471%**

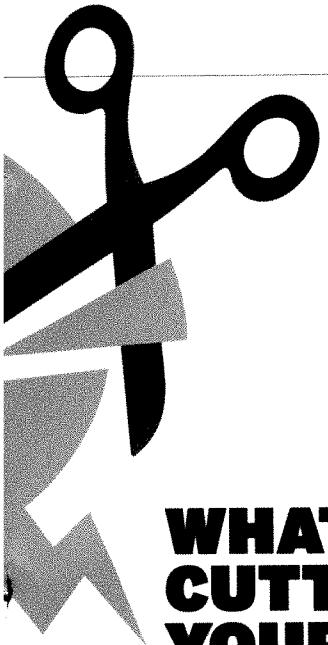
Growth in income tax revenue in 10 years **346%**

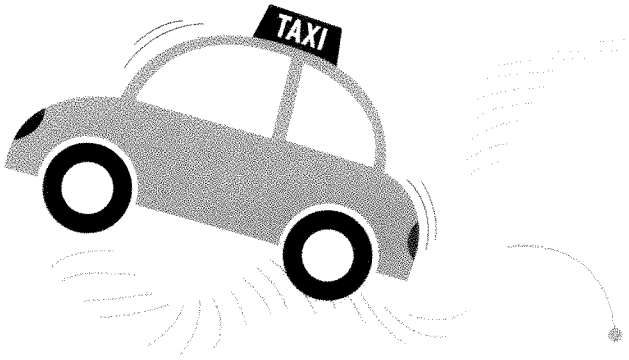


... THAT CREATES REVENUE AT THE FASTEST PACE

Service tax collected every hour in 2012 **₹14.4 CR**

Service tax collected every day in 2012 **₹340 CR**



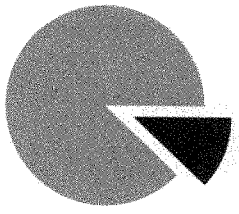


WHAT'S CUTTING YOUR TALK TIME?

WHO'S INCREASING YOUR CAB BILL?

DAY. SLOWLY AND STEALTHILY, IT HAS BECOME AN UNEXPECTED BONANZA FOR THE GOVERNMENT

Tax rate in 2012



12%

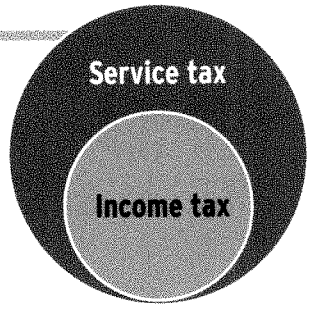
Service tax as % of government income in 1994/95

0.45%

Service tax as % of government income in 2011/12

12%

... AND FROM A WIDER POOL OF TAXPAYERS THAN INCOME TAX



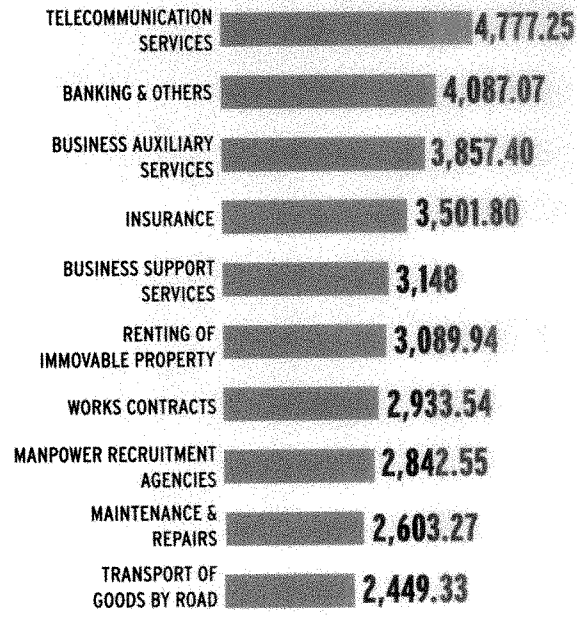
TOP 10 CITIES THAT PAY SERVICE TAX

1 MUMBAI	6 HYDERABAD
2 DELHI	7 PUNE
3 CHENNAI	8 AHMEDABAD
4 BANGALORE	9 JAIPUR
5 KOLKATA	10 RAJKOT

City rankings are 2009/10 (latest available)

TOP 10 SERVICES BY TAX REVENUE

Figures in ₹ crore



Source: www.servicetax.gov.in

Data for the period: April 2011 to January 2012

Graphic by Santosh Kushwaha. Research by Kamya Jaiswal

BT-ERNST & YOUNG

DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*

RAJAT BARAN

Thomas Cook (India) Ltd (TCIL), an integrated travel service provider, has acquired a 74 per cent stake in Ikya Human Capital Solutions Pvt Ltd (Ikya), a human resources (HR) staffing solutions company, for approximately ₹256 crore. This deal will expand TCIL's portfolio of service-related businesses and mark its entry into one of the world's largest HR markets – India.

Ikya, which offers specialised HR services, including search, recruitment and project based hiring, caters to over 500 corporate entities in the country. "Ikya's wide range of HR services and sterling reputation, offer us a wonderful opportunity to extend the bouquet of travel, financial and HR services we offer to corporates across India," says **Madhavan Menon**, Managing Director, TCIL.

After the acquisition, Ikya would remain a standalone, independently managed entity supervised by TCIL. "The Thomas Cook acquisition of Ikya reinforces the potential for continuing double digit growth in India's services sector and continuing 20 per cent annual growth in the HR solutions industry," says Ankur Pahwa, Partner, Transaction Advisor Services, Ernst & Young.

TARGET
ING VYSYA LIFE INSURANCE CO LTD
ACQUIRER
EXIDE INDUSTRIES LTD
DEAL VALUE (₹ CR)
550

TARGET
DLF LTD (WIND POWER GENERATION BUSINESS)
ACQUIRER
BHARAT LIGHT & POWER PVT LTD
DEAL VALUE (₹ CR)
282.3

TARGET
IKYA HUMAN CAPITAL SOLUTIONS PVT LTD
ACQUIRER
THOMAS COOK (INDIA) LTD
DEAL VALUE (₹ CR)
256

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
Orient Refractories Ltd	RHI AG	225.3
Transpole Logistics Pvt Ltd	Everstone Capital Management	220
Liberty Phosphate Ltd	Coromandel International Ltd	195.8
Cimelia Resource Recovery Pte Ltd	Cerebra Integrated Technologies Ltd	107.2
Repco Home Finance Ltd	Creador Capital	73
Sayaji Hotels Ltd	Raoof Razak Dhanani	61.9

Ernst & Young is a leading global professional services firm. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* and Ernst & Young do not take any responsibility with regard to such a decision.

*January 12 to February 11, 2013

Not a complete list

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BAPL is a venture of Changi Airports India Pte. Ltd., Citystar Infrastructures Ltd., Infrastructure Leasing & Financial Services Ltd. (IL&FS), Lend Lease Company (India) Ltd., Pragati Social Infrastructure & Development Ltd., Pragati 47 Development Ltd. and West Bengal Industrial Development Corporation.

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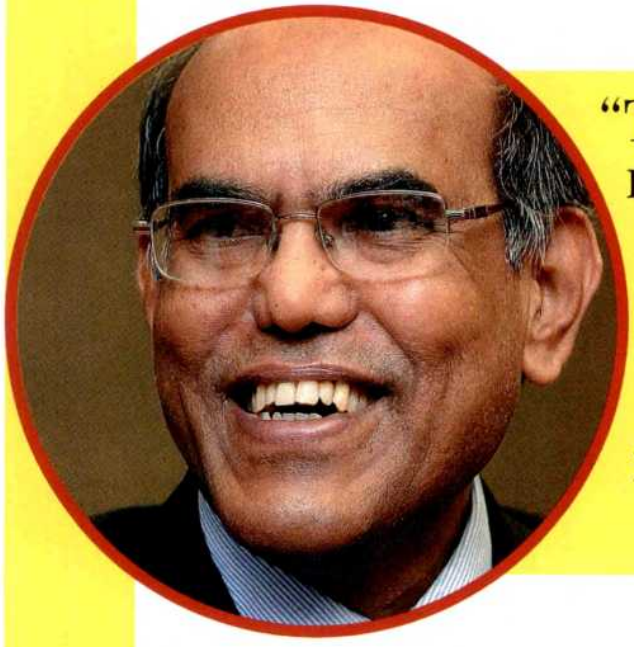
"The decline in inflation is a welcome and reassuring sign. I expect March-end inflation to be 6.5 per cent"

C. Rangarajan, *Chairman, Prime Minister's Economic Advisory Council, to* Agencies



"There is room for monetary easing over the next few months, but that room is limited because of the outlook for inflation and growth"

Duvvuri Subbarao, *Governor, Reserve Bank of India, on* CNBC TV18

"This (monetary easing), if it happens, would give confidence to the industry to bring investment plans back onto the drawing board"

Naina Lal Kidwai, *President, FICCI, to* Agencies

"WE ARE LOOKING AT A SHARP AND SUSTAINED DOWNWARD TREND, WHICH SHOULD GIVE THE RESERVE BANK OF INDIA THE ELBOW ROOM TO GO AHEAD AT LEAST WITH A COUPLE OF MORE RATE CUTS"

Abheek Barua, *Chief Economist, HDFC Bank, on* BBC

"The challenge is how to ease monetary policy when the fisc is correcting gradually and (also) handling inflation"

Uday Kotak, *Executive Vice Chairman and Managing Director, Kotak Mahindra Bank, in* Business Standard

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A DESTINATION IN ITSELF

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Up in the Air

The Defence Research and Development Organisation (DRDO) is no stranger to project delays. Even so, the operational clearance for its light combat 'Tejas' aircraft project, late by about 20 years, may be something of a record. The Intermediate Jet Trainer programme being developed by Hindustan Aeronautics Ltd is also behind schedule. These delays are affecting the modernisation plans of the Indian Air Force.

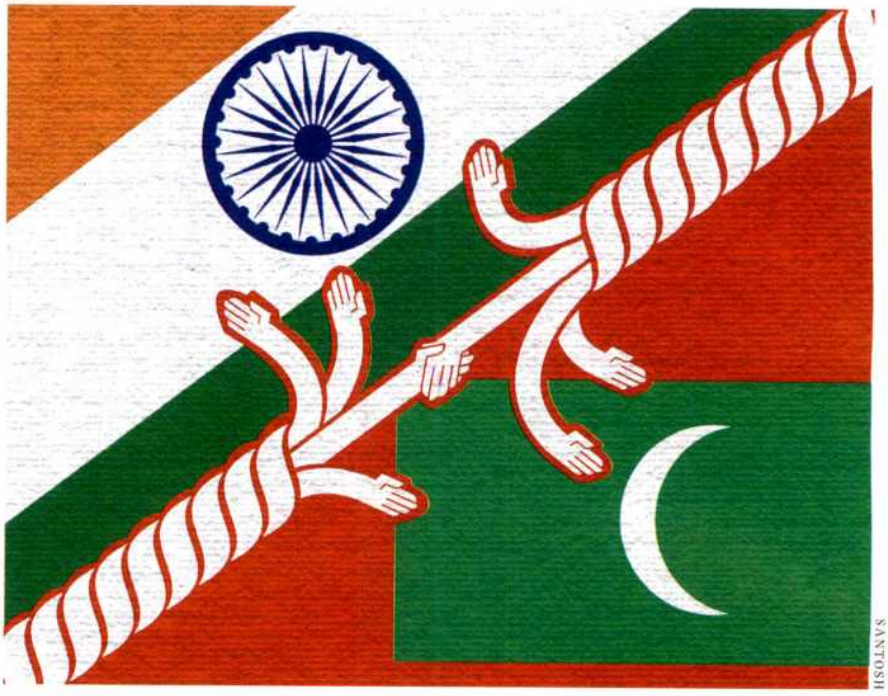
Bucks Stop Here

At $47.30, the Quadriginoctuple Frap is the most expensive drink at Starbucks, available at select outlets. It includes, among other ingredients, a venti 48-shot mocha frappuccino, soy mocha, drizzle matcha powder, protein powder, caramel brulee topping, and what not. Does anyone order it? Actor Beau Chevassus made global news recently when he did.

Bedroom Tale

Architect Dominique Noel, has created what many have called the world's wackiest hotel near the picturesque town of Durbuy in Belgium. La Balade Des Gnomes has unique-looking bedrooms. One resembles a spaceship in a lunar landscape, another a troll's habitat complete with running stream and goldfish. There is also a room you can share with a mermaid's statue floating in a pool on a yacht.

HOW THINGS WORK



SANTOSH

Trouble in Paradise

With its former president, Mohamed Nasheed, taking refuge at the Indian embassy in Male, the island paradise of the Maldives is suddenly in the news. What the turmoil there is all about:

The country: It is a group of 1,190 islands in the Indian Ocean, many of them uninhabited, with a total area of 300 sq. km and a predominantly Muslim population of around 330,000. It lies about 340 km southwest of India's west coast. Tourism contributes around 50 per cent to its economy.

The history: Though technically independent, the Maldives was a British protectorate from 1887 to 1965. Soon after the British left, it was declared a republic, bringing to an end an 850-year-old Sultanate monarchy. However, for more than 30 years starting 1978, its president was Abdul Gayoom, who, though he held periodic elections, ruled like a dictator.

The current troubles: In 2008, in the first multi-party election after decades, Nasheed was chosen president. But in February 2012, following some demonstrations against his government, his own vice president Mohammed Waheed, in a backdoor coup, replaced him. The new regime has been accusing Nasheed of corruption and worse while he ruled. Nasheed sought shelter in the embassy after an arrest warrant was issued against him, charging him with having ordered the kidnapping of a sitting judge.

Relations with India: The two countries were close all through Gayoom's rule, with India even sending troops to the islands in 1988 to crush an armed coup against Gayoom. Nasheed too had India's full support. However, the Wahid regime, while insisting it is neutral, has been wooing China and allegedly also nurturing Islamic radicalism. Its most blatant anti Indian step was taking back control of Male airport from the GMR Group which was running it.

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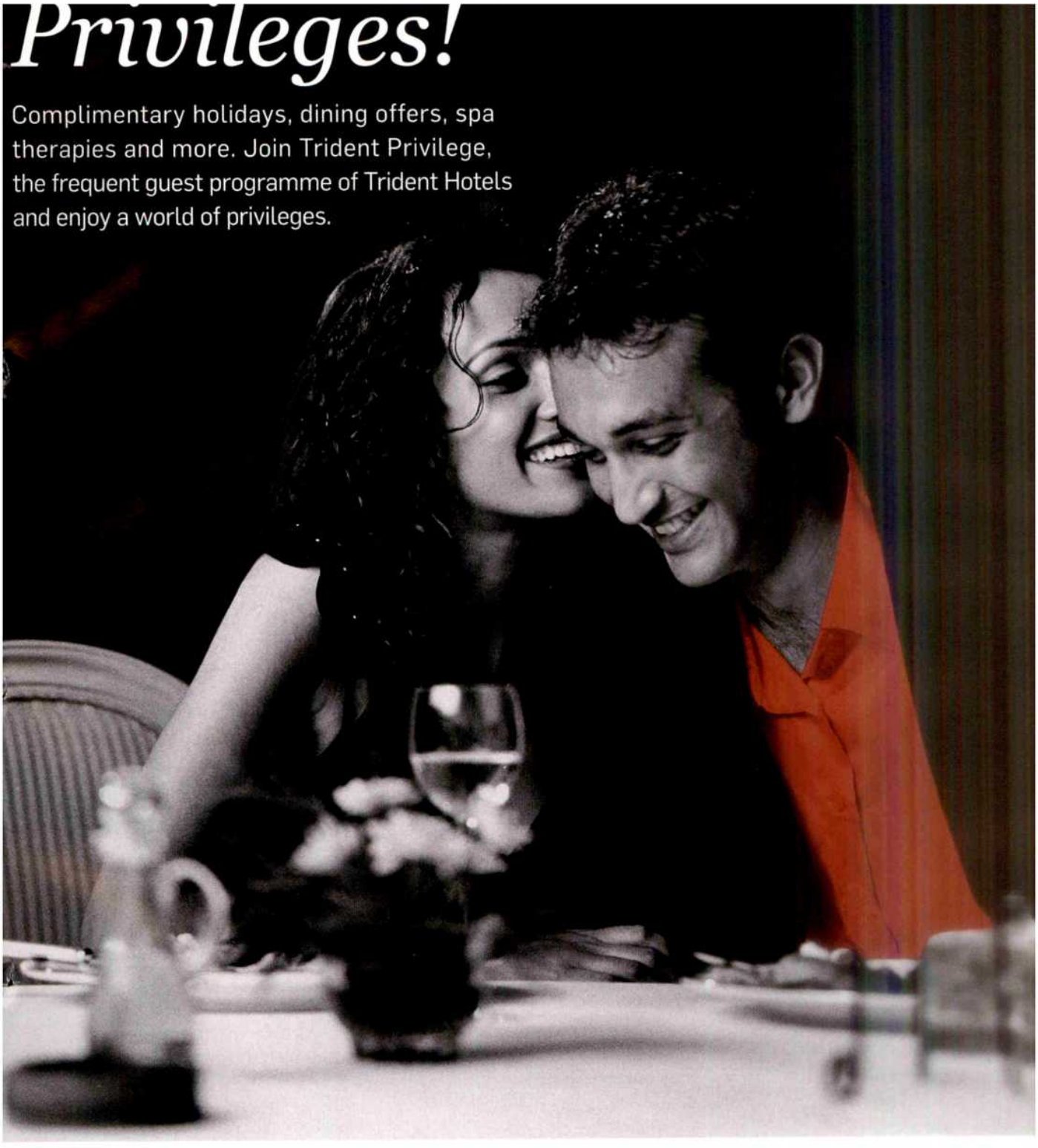

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Bretton Woods III

Current economic conditions in the US and China imply that the post-crisis global economy will experience a return to large macroeconomic imbalances

Many analysts and observers believe that the global imbalances that characterised the world economy in the years before the 2008 crisis have substantially dissipated. But, while it is true that China's current account surpluses and America's deficits have somewhat moderated since then, have the imbalances really been corrected? More important, can the post-crisis global economy enjoy both growth and balance?

To answer these questions, it is important to understand the imbalances' underlying dynamics. An economy's current account is the difference between its investment rate and its savings rate. In 2007, the United States had a savings rate of 14.6 per cent of GDP, but an investment rate of 19.6 per cent, generating a current-account deficit. By contrast, China had a fixed investment rate of 41.7 per cent of GDP and a savings rate of 51.9 per cent, reflected in a large surplus.

THE AMERICANS SAVE EVEN LESS TODAY THAN THEY DID BEFORE THE CRISIS ERUPTED, AND THE CHINESE INVEST EVEN MORE

Since 2007, the US current-account deficit has narrowed, but not because of a higher savings rate. Rather, the external deficit has been squeezed by a collapse in investment activity, while America's overall savings rate has fallen below 13 per cent of GDP, owing to worsening government finances. Meanwhile, China's savings rate remains stubbornly high. The surplus has narrowed because investment has been ramped up even higher, to roughly 49 per cent of GDP. In other words, the Americans save even less today than they did before the crisis erupted, and the Chinese invest even more.

Any future recovery in the US economy will almost certainly trigger a revival in investment activity. American businesses have postponed much-needed capital spending and, with American airports and bridges in appalling condition by developed-country standards, investment in infrastructure is crucial as well. Indeed, it is very likely that reviving growth will lead to larger current-account deficits, even if the savings rate improves and domestic energy production curtails oil and gas imports.

China has the opposite problem. In order to sustain growth, it needs to continue to invest half of its $9 trillion annual GDP – no

easy task for a country that already has brand new highways and airports. In fact, over the next decade, as China attempts to move up the value chain into services and adjusts to a shrinking workforce, its investment requirements will shrink – and its investment rate will fall sharply.

Of course, China's savings rate will also decline, but Japan's experience since the 1980s demonstrates how a sharp fall in investment can generate large and persistent current-account surpluses, even when the savings rate is falling and the currency is appreciating. Indeed, a stronger currency can paradoxically feed external surpluses, while discouraging investment in export-oriented industries.

The implication is that the post-crisis global economy will not be characterised by balance, but by a return to large macroeconomic imbalances. But, although many economists will consider this problematic, history shows that symbiotic imbalances have characterised virtually all periods of global economic expansion.

The Roman Empire ran a persistent trade deficit with India for centuries. Although the resulting outflow of gold caused monetary debasement in the Roman Empire, Indo-Roman trade remained the backbone of the global economy.

Similarly, Spain ran persistent deficits in the sixteenth and seventeenth centuries, paid for by Andean silver. The resulting flood of liquidity caused a global boom that benefitted economies from Elizabethan England to Mughal India. And 1870-1913, another period of rapid growth and globalisation, was not characterised by balance; it was funded by the United Kingdom, acting as the world's "bank".

In the last 60 years, the US has underpinned global growth by running persistent current-account deficits. Under the Bretton Woods system, the US ran deficits that enabled war-torn Europe and Japan to rebuild. In return, Europe funded the US deficits.

The system broke down when European countries, particularly France, decided to stop funding those deficits. But the economic model persisted, with Asian economies stepping in to finance the US deficits, while using the US market to grow rapidly. China is the latest and largest beneficiary of the economic model dubbed "Bretton Woods II".

Clearly, periods of global growth are almost always characterised by symbiotic imbalances. But, while each of these episodes was characterised by macroeconomic distortions caused by the imbalances, they lasted for years, or even decades. So, the real question is what the next generation of symbiotic imbalances will look like.

It is likely that China will soon return to running very large current-account surpluses – potentially large enough to fund the US, with plenty left over for the rest of the world. As this capital cascades through the global financial system, it will re-inflate the economy.

In the "Bretton Woods III" system, China will transform from "factory to the world" to "investor to the world". Like all imbalanced systems, it will have its distortions, but the arrangement could last for many years. ◆

The author is Deutsche Bank's Global Strategist

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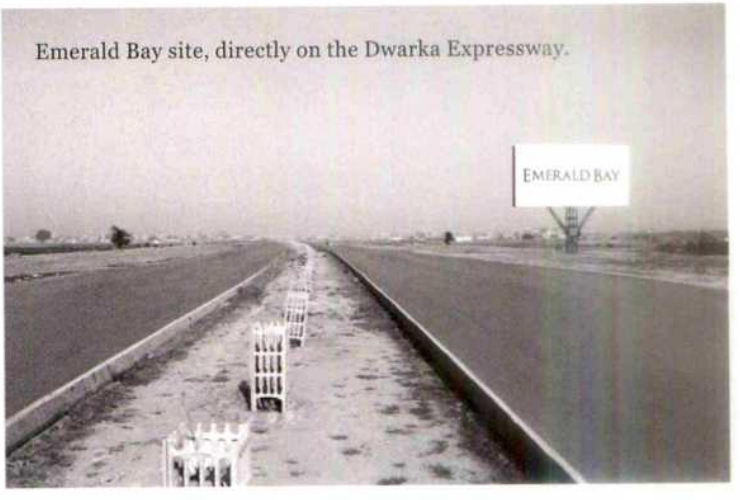

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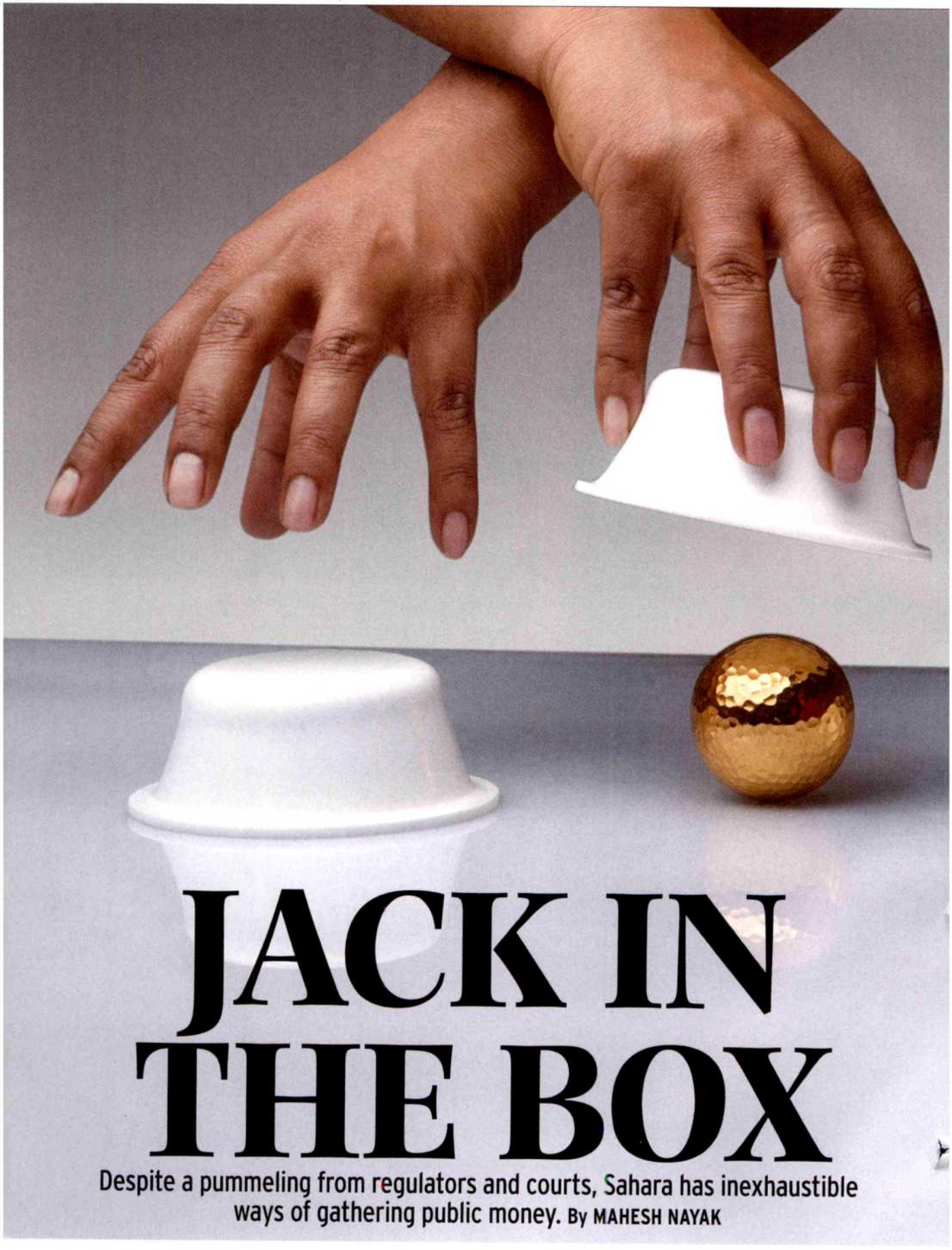


JACK IN THE BOX

Despite a pummeling from regulators and courts, Sahara has inexhaustible ways of gathering public money. By MAHESH NAYAK

SCENT OF A MAN
Subrata Roy, pg 46

It's 11 in the morning and business as usual at the ground floor office of Sahara India in Tardeo, Mumbai. The staff is unfazed despite the February 13 order of the Securities and Exchange Board of India (SEBI) to freeze the assets, bank accounts and demat accounts of the group's two unlisted companies and their top executives, including Managing Worker and Chairman Subrata Roy.

The market regulator's move, its first such, came on the back of the Supreme Court order that Sahara India Real Estate Corporation (SIRECL) and Sahara Housing Investment Corporation (SHICL) return ₹24,000 crore raised through optionally fully convertible debentures (OFCDs) from 30 million investors. "The stipulated time to return the money to investors had come to an end and there was no response from Sahara. We had to follow what the Supreme Court had ordered," says a SEBI spokesperson.

At the Tardeo office, there is a reference to the SEBI order only when stray depositors, mostly from the lower middle class, walk in seeking assurance that their money is safe. Most of them have had a good experience with the group and are eager to accept the executives' explanations. Those who are not, are told they can withdraw their money.

"It no longer bothers us," says a senior executive in the office. "Do you see a rush at my door? We have already repaid investors who wanted their money back. For others, we have moved the money to new schemes like the fixed-deposit scheme with Sahara Q Shop, which offers 2.35 times returns in six years." The Q Shop is the group's new retail foray.

Three days after the Sebi order, Sahara published advertisements in newspapers saying it owed no more than ₹3,663.93 crore to the debenture holders.

"As mentioned in the advertisement, more than 50 per cent of this amount is no longer an outstanding liability since the company has repaid its distant rural area investors and such amounts are in the process of multipoint verification. We had declared ₹2,620 crore as liability and ₹2,500 crore as buffer and this buffer covers the amount which is mentioned above. As per the advice of our legal team based on the demand of the Hon'ble Supreme Court, we have clubbed the two in declaring our outstanding liability. But the fact is that the outstanding liability is much lower than ₹3,663.93 crore and also correspondingly the interest amount is much lower," Abhijit Sarkar, the group's head of corporate communication, says in an email.

Only time – and the Supreme Court, where the matter remains open – will tell which is right, Sahara or SEBI. But this is only the latest in a long line of Sahara's

ADITYA KAPOOR/www.indiatodayimages.com

HOW DID IT ALL HAPPEN

A brief timeline of Sahara's fund raising schemes and how they riled regulators

APR 2008

SIRECL and SHICL start issuing OFCDs

SEP 2009

Sahara Prime City files offer document with SEBI for an IPO

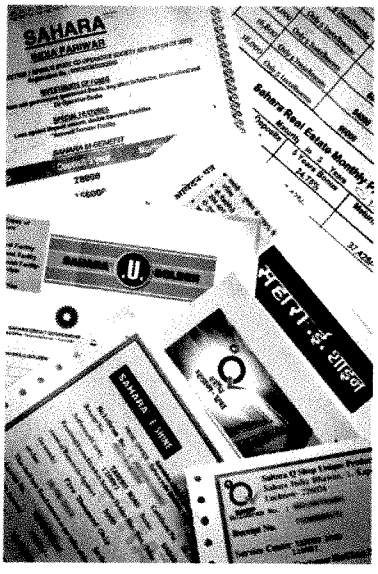
AUG 2010

SEBI passes an order initiating investigation into SIRECL and SHICL

brushes with regulators. And so far the group has always found a way around the roadblocks.

SIRECL approached the market in 2008 and SHICL in 2009 to raise money by issuing OFCDs to investors under the preferential allotment rules applicable to unlisted companies. The permission to the former was given by the Registrar of Companies (ROC) in Uttar Pradesh and Uttarakhand, and to the latter by the ROC in Maharashtra. However, in 2009, when Sahara Prime City, another company of the group, planned an initial public offering, SEBI found inadequacies in disclosures and sought

Options galore: Application forms of Sahara group's various deposit schemes



information about some Sahara companies as per norms. Till date, the IPO hasn't hit the market.

It seems one Roshan Lal of Indore had written to the National Housing Bank asking whether the debentures had been issued according to rules. The NHB forwarded his note to SEBI, which asked for details of the people to whom the debentures had been issued. It said the OFCDs fell under the category of public issue, and not preferential allotment, since they were issued to more than 50 investors.

This was the time when debate raged over who had jurisdiction over this. At first the ROCs were thought to be the regulator concerned, as SEBI looked mainly at listed entities. One view was that privately placed debentures issued by unlisted companies fell under the Ministry of Corporate Affairs. Finally, the Supreme Court went with SEBI.

With the details of the investors not forthcoming, SEBI told the two companies to refund the money. The case went to the apex court, which ruled in favour of the regulator.

However, by the time SEBI clamped down on the OFCDs, the Sahara group was already taking fixed deposits under the Sahara Credit Cooperative Society (SCCS). The cooperative, being a multi-state one, comes under the purview of the Central Registrar of Cooperative Societies under the Union Ministry of Agriculture.

Sahara says this must not be seen as a tool to sidestep SEBI. "SCCS was formed on March 5, 2010, whereas SEBI had issued objections on the Sahara group's two companies with regard to OFCDs in May 2010," says Shantanu Mukherjee, the cooperative's Managing Director, in an email.

SCCS has a bunch of schemes to raise deposits. The fixed deposits are similar in structure to the bonds issues by SIRECL and SHICL. Sahara E. Shine is like the Abode bond issued by SIRECL. It is sold as an eight-year fixed deposit promising a return of more than 226 per cent. The catch is that, unlike bank fixed deposits, you can't withdraw your money before the fifth year. In fact, there is a lock-in of five years in most of the SCCS's fixed deposit schemes. The Sahara M. Benefit is similar to the old Sahara Real Estate Monthly Plan of SIRECL. Sahara U. Golden in many ways corresponds to the erstwhile Housing Bond of SHICL and sells like hot cakes.

Mukherjee dispels any notions that may arise from the similarities in the old and new instruments. "The

NOV 2010

Sahara Prime City IPO gets delayed; SEBI passes interim order against SIRECL and SHICL from raising money through OFCDs

DEC 2010

Allahabad High Court gives a stay on the SEBI order

JAN 2011

SEBI moves the Supreme Court, which allows the regulator to call for any information that it deems fit including the names of the investors who have invested in OFCDs

APRIL 2011

Allahabad High Court vacates the stay in the Sahara group case, necessitating the company to share full details of investors participating in its fund raising exercise with the market regulator

JUNE 2011

SEBI directs two companies to refund the money to investors

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contention that SCCS is raising money for the real estate business is beyond truth. SCCS is functioning only among members and it is functioning under the object clause defined in its registered bye-laws approved by the Central Registrar of Cooperative Societies."

Under the law, SCCS can't accept deposit from the public, only from its members. A multi-state credit cooperative society can keep adding new members. Whenever a new investor buys a fixed deposit scheme, a membership form has to be filled by him.

"The society has a good track record of repayment of deposits to its members without any delay and there is no complaint filed by a single member for any default till date," says Mukherjee.

It is not difficult to find executives at the Tardeo office selling SCCS's schemes. In fact, *Business Today* managed to buy one there. But the cooperative is supposed to be at arm's length from the group. "SCCS has been promoted by the workers of Sahara India Pariwar. We have asked the group to allow the use of the word Sahara in the co-operative's name, which was allowed against a small royalty. The promoter's family members or senior promoters of the Sahara group are not there in the promotion of the cooperative society," says Mukherjee.

The cooperative's salesmen are as quick as any in the business to catch on the trends. Last year they were taking advantage of the rising gold prices by collecting deposits from investors on the assurance of giving physical gold at the end of five years.

Then there is the Q Shop initiative. The gold back schemes under Sahara Q Gold Mart offer an additional six gram of physical 22 carat gold at the end of five years for an investment equivalent to the current price of gold per 10 gram. But with gold prices coming down the salesmen are not keen to sell the scheme anymore. Last April, the company was pushing the Q Shop plan, H Yojana, under which it would pay 2.35 times the principal after six years. Initially, the minimum deposit was ₹5,000, but later it fell to ₹1,000.

It is not just the high interest rates that attract investors. Many of them are daily wage earners, small traders, and other lower-middle-class people. There is little chance that they can set aside a fixed amount for saving every month. Many of them do not even have a bank account.

This is where the Sahara group has stepped in to take advantage of an underdeveloped banking system. It reaches out to people in regions where there is no bank, or a lot of people without bank accounts. And they make tiny deposits – of ₹10, ₹30 or ₹100 – every day.

As Subrata Roy has described (see *Scent of a Man*, Page 46), the group has faced several doors slamming in its face as it has switched from one route to another to raise money from the public. But it has always found a way out. No wonder the Tardeo office is sanguine.

Meanwhile, Enam, Sahara's merchant banker, tried to reach Roshan Lal at his address in Indore, but found no one there. ◆

Send your comments to editor.bt@intoday.com

SAHARA DETOUR

SAHARA.E.SHINE
This is similar to SIRECL's Abode bonds, which promised to double the money in 71 months

SAHARA.U.GOLDEN
Similar to SHICL's Housing Bond, this is a 15-year scheme offering five times return on the principal

All schemes offer a loan against deposit facility

JULY-AUG 2011
Sahara moves SAT against the SEBI order

OCT 2011
SAT confirms and maintains the SEBI order

JAN 2012
The Supreme Court stays the SAT verdict, admits Sahara's appeal

AUG 2012
SC asks Sahara to repay ₹24,000 crore in 90 days to investors

DEC 2012
Sahara gets more time to refund money and submit documents to SEBI

FEB 2013
SEBI orders to freeze assets and bank account of Sahara's two unlisted companies

OFCD: Optionally Fully Convertible Debentures
SIRECL: Sahara India Real Estate
SHICL: Sahara Housing Investment

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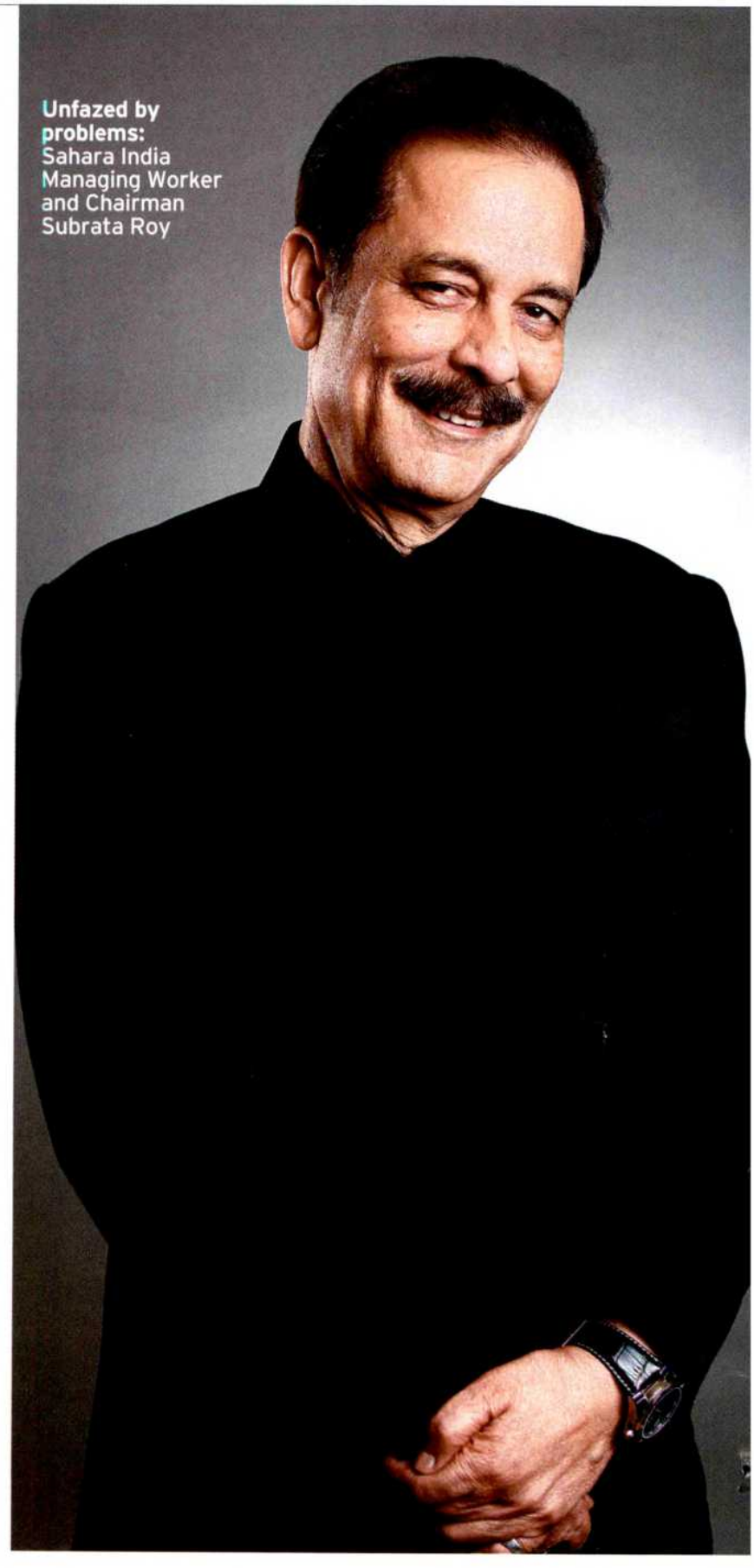


Unfazed by problems: Sahara India Managing Worker and Chairman Subrata Roy

Hussain Bhai takes his foot off the rickety wooden stool, leans forward in his chair, and says: "Only educated people like you and me can understand the value that comes with being a public sector company." Sitting inside a bicycle repair shop, he is speaking with authority about Sahara and it feels rude to correct him.

"These people," he waves his left hand in a sweeping gesture that covers the bicycle mechanic as well as the barber across the road, "will not understand this."

Hussain Bhai – that is what everyone calls him – is a respected man in the Rajaji Puram area of Lucknow. He holds a government job, for which he goes to office for a few hours every day, reads newspapers, uses English words here and there, and wears trousers and shirt.

But he is wrong. Awdhesh, the cycle repairman, wears khaki shorts that come up to his knees, and Ramdin, the barber, a white undershirt over trousers. Both give out only their first names. But neither has any doubt that Sahara is a part of the government and that is a big reason why they trust it with their money.

However incorrect, it is an easy belief to harbour in Lucknow. To the faithful, that Sahara's name is on Sachin Tendulkar's jersey, and on every other Indian cricketer's, is only the final irrefutable proof of its government lineage. In this city, Sahara is everywhere. Its name adorns road signs, dividers and roundabouts. Its

VIVAN MEHRA/www.indiatodayimages.com

SCENT OF A MAN

Subrata Roy has started using imported perfume in response to his troubles with the authorities, reports Suveen K Sinha, but the group he has carved in his own image carries on regardless.

corporate office at 1, Kapoorthala Complex towers over the busy business district. In Gomti Nagar, the area Mayawati turned into a shiny real estate haven, the former Chief Minister's parks and statues pale before the light grey might of Sahara Sheher. It is a fort, with an ornate facade, high walls, watch towers, and tight security.

It is not easy to get inside. But if you do manage to, as *Business Today* did, you would find an all-new world stretching before you. It is a world where Saharasri, as Subrata Roy Sahara is referred to, is supreme. Spread over 300 acres, it has wide empty roads, imposing arches, an auditorium that can seat 5,000, a cinema hall, a medical unit, a filling station run by Indian Oil, and a lake whose circumference is 2.5 km. There is a lush green cricket ground with a sprinkling of little cottages and a club house. There is a large ground with a humungous statue of Bharat Mata, a lady riding a chariot drawn by four lions. She adorns nearly all of the greeting cards sent by the group and is also at the entrance to Sahara Sheher.

Playing second fiddle to Bharat Mata Naman Sthal is Jyoti Sthal, a monument dedicated to Roy's father, Sudhir Chandra, whom the group's website calls "a noted sugar technologist" (mother Chhabi Roy is described as a "pious housewife"). A huge statue of his is the centrepiece here. On his birthday, April 1, they celebrate Jyoti Diwas. There are several other, smaller statues all over the Sheher: of Rabindranath Tagore, Subhash Chandra Bose, Abul Kalam Azad, Chandrashekhar Azad, etc. In the distance you can see a large dome, which is supposed to be Roy's abode. But – you will be told firmly – you can't go that side.

Sahara Sheher is where Akhilesh Yadav, with his entourage of politicians and industrialists, went for lunch after being sworn in as the Chief Minister. It was an event reported by newspapers without much surprise, in some cases as a footnote. Imagine Rahul Gandhi going for lunch at the house of Sunil Mittal, the Bharti Enterprises Chairman whose father used to be a prominent member of the Congress Party, right after becoming the prime minister. If nothing else, Bharti's stock would shoot up.

But stock prices are not something that would hold much interest for Roy, who has taken the company's name as his surname and the unique title of Managing Worker and Chairman. What matters to him is what people like Ramdin and Awdhesh believe. That is what gives Sahara its unfathomable financial strength, rupee by rupee.

Awdhesh, who owns and runs Unique Cycle Repair, has two schemes with Sahara. The first requires him to deposit ₹15 every day and the second ₹10. "*Hum to roz kuan khod kar paani peete hain* (we have to earn our keep every day)," he says, pausing to take in a Mohammed Rafi song blaring from a passing rikshaw. "So I like Sahara. It does not put much burden on us

and yet helps us save."

Ramdin's father wanted him to become a tailor. But the son ran away from his apprenticeship and opted to follow into his father's footsteps by opening a barber shop. He had his first brush with Sahara two decades ago with a scheme under which he deposited ₹5 a day. It matured and he opened another, and another. Now he has a ₹10-a-day scheme. The receipt for his deposits comes every 15 days.

Both have Hussain Bhai's blessings. "Sahara is a low-risk investment," he says. "My money with Sahara is secure."

On the other side of the city, in Bakshi Ka Talab, the shops are bigger, their owners richer, but just as much in love with Sahara. Diwakar Prakash Singh says he opened an account with Sahara in 1994, the same day he opened his garment shop. He has had a series of schemes since then, opening a new one the day an old one matured. He now has two schemes running, each of which requires him to deposit ₹100 a day. "The interest rate is not very high, but my money goes out in a trickle and comes back in bulk," says Singh.

Sanjay Lal Maurya, who sells pipes, has been with Sahara for a decade and a half and currently deposits ₹100 every day. "Sometimes," he says, "I do not really want to make a deposit, but the agent says, 'Bhaiya, please,' and it is difficult to say no."

The agent, typically, is a relative, or a friend, or someone from the neighbourhood. "We do not deal with strangers," says Hussain Bhai. In fact, many agents begin their careers by enlisting their family, immediate and extended. They work on commission and, therefore, have no hesitation in going to small shopkeepers for their little deposits every day. Banks, on the other hand, work through employees, who have no time, or incentive, to do the hard yards. In any case, many of Sahara's depositors don't have bank accounts.

In the case of the Rajaji Puram gang, the agent is Sandeep (again, no second name), a man who often comes to Awdhesh to get his bicycle

SUVEEN K. SINHA

Awdhesh, who owns and runs Unique Cycle Repair, has two schemes with Sahara. The first requires him to deposit ₹15 every day and the second Rs 10.

ONE OF A KIND

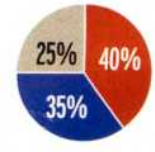
Subrata Roy started out in 1978 with ₹2,000 in capital, a Lambretta scooter, a table, two chairs, a clerk and an errand boy

Roy calls his corporate philosophy "collective materialism", one "that advocates collective growth for collective sharing and caring"

Sahara's employees and agents have never formed a union

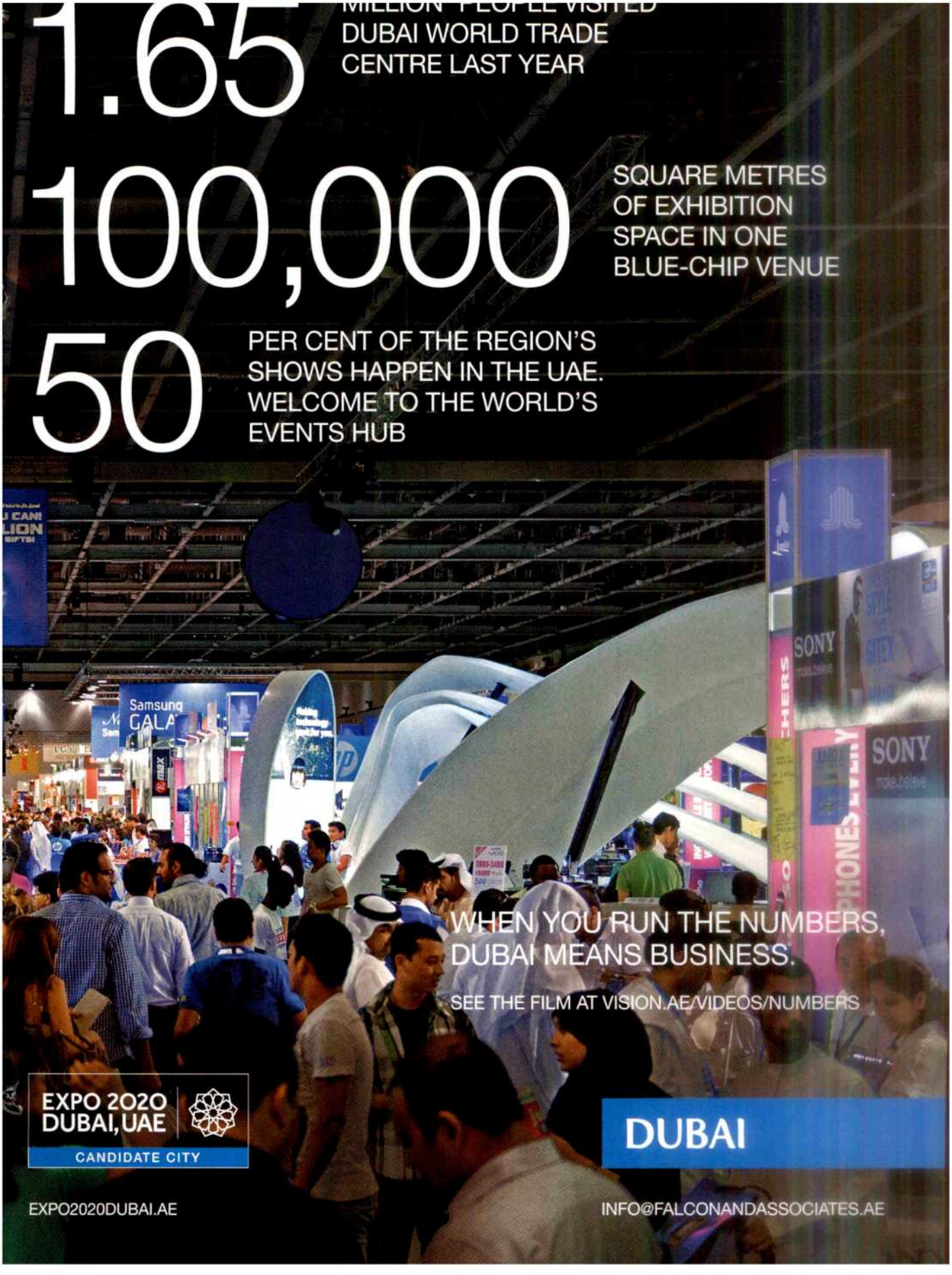
The group does not declare dividends

Forty per cent of the profit is spent on welfare of workers – called *kartavyayogi* – 35 per cent goes into the company's net-owned funds, and the rest is spent on social work



Most of Sahara's clients are small shopkeepers and daily wage earners, who deposit ₹10 to ₹100 every day

The agent, typically a relative, friend or friendly neighbour, is the key to deposit mobilisation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repaired or its tyres inflated. His hair carrying the distinct brown tinge of henna, Sandeep is a friend as much as a representative of the company they trust with their savings. "I continue depositing with Sahara also because I do not want to spoil my relationship with Sandeep," says Awdhesh.

The relationships add a glow of warmth to the way they look at Sahara; it is the group that gave jobs to their friends.

The Managing Worker is aware of this. On his website, he lists his "biggest achievement in life" thus: "I'm very proud to be the guardian of the world's largest family." This family, which the group refers to as the Sahara Parivar, has grown to more than a million, a far cry from the outfit Roy started in 1978 with ₹2,000 in capital, a table, two chairs, a Lambretta scooter, a clerk and an errand boy.

Several entrepreneurs may have had similar beginnings, but none of them would match the uniqueness of Roy's philosophy.

The website credits Sudhir Chandra with instilling in his son respect for human beings. The story goes that the father once caught a young Subrata berating the dhobi for not ironing his shirt properly. "Is he not older? Can you iron his shirt?...He knows the job better than you," said the father, and made his son touch the dhobi's feet and apologise. On another occasion, when Roy was complaining about a small tear in his favourite shirt, the father took it, tore it completely, and said: "Never get so attached to something materialistic or lifeless." He once made Roy spend three days in the house of one Sharmaji, one of the father's junior officers who had suffered a heart attack. Roy did all the chores in the house while Sharmaji recuperated. The sum of Roy's learning from his father is given as: "Always be contented in receiving and discontented in giving."

No wonder Roy calls his corporate philosophy "collective materialism", described by the group as one "that advocates collective growth for collective sharing and caring".

The group's employees and agents have never formed a union. The group does not declare dividends. Forty per cent of the profit is spent on welfare of workers – *kartavyayogi* (for whom work always comes first) is how they are thought of – 35 per cent goes into the company's net-owned funds, and the rest is spent on social work. Talk about unique.

Ramdin, the barber, had his first brush with Sahara two decades ago with a scheme under which he deposited ₹ 5 a day. It matured and he opened another, and another. Now he has a ₹10-a-day scheme.

SUVEEN K. SINHA

Of late, though, the harmony looks to have been disturbed and Roy's "all is well" veneer has grown thin. Sahara worked like a charm while the going was good. Unaffected by the scandals around the non-banking finance companies of the late 1990s – epitomised in the way C.R. Bhansali's life unravelled – Sahara grew from strength to strength. In June 2011, Sahara India Financial Corporation, the group's bedrock, caused a flutter by taking out newspaper advertisements that put the value of its deposits at ₹73,000 crore. Soon after the ads came out, Roy told *India Today*: "The Sahara family is intrinsically strong, it will overcome all the imponderables strewn in its path."

The imponderables have grown. That ₹73,000 crore proclamation came in the midst of a battle with regulators, the Reserve Bank of India and the Securities and Exchange Board of India (SEBI), both of which have been trying to clamp down on raising of deposits by Sahara companies. The RBI has gone to the extent of publishing advertisements saying it would not guarantee repayment of deposits raised by them. SEBI has taken the same line. The Supreme Court has endorsed SEBI's stand, asking Sahara to refund nearly ₹24,000 crore raised through OFCDs (optionally fully convertible debentures) by two of its companies from millions of small investors. It seemed to be a long war of attrition, destined for years in court. But SEBI upped the ante on February 13, freezing the assets and bank accounts of the two companies which had floated the OFCDs and also of their top executives including Roy.

In an interview to *Society* magazine in August last year, Roy chose to make his point through the time-honoured tool of comparison – com-

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parison with Bangladesh. "In one of their very senior minister's house, where we had lunch, the minister took so much interest that he instructed his people to get fresh fish from so and so river to serve me.... one should go and learn how ministers and bureaucrats should behave without any element of ego. They love you, they respect you, they welcome you if you are there for their country, and there is a beautiful feeling. I love my country, but even then, I strongly say that the others in Delhi should go and learn how their counterparts there behave. They should learn how to welcome the right people for the development of the country. They are not looking to get sadistic pleasures."

He is similarly enamoured of British Prime Minister James Cameron. "When I went to meet the British PM, my car was held up for some time outside the gate. When I entered, there was no security check for me. When the PM entered, the first thing he did was to apologise by saying aloud, 'Mr Roy, I'm so sorry you were held up at the gate. I apologise. I am going to take action. It was not right.' Then, he asked me about all my forthcoming projects – he knew about all of them. I had reached London just four days ago, and he knew everything. I really admire him, they have a fantastic PM."

At Agenda Aaj Tak, a conference organised in New Delhi in the first week of December by the eponymous TV channel, where he made one of his rare public appearances, Roy was a lot more direct. "I would never have gone across the border [to do business] if there had not been so much hardship [in India], so much torture here for no fault of ours." Sahara has acquired iconic hotels in London and New York.

According to Roy, regulators have a better understanding of their powers than their responsibilities. "Regulators have to be taught to regulate, not become a banning agency. If there is something bad, shut it down. But be selective. Don't shut everything down. If the RBI sits across the table, I can explain to them how no talented young man can do well now."

SUVEEN K. SINHA

In Gomti Nagar, former chief minister Mayawati's parks and statues pale before the might of Sahara Sheher. It is a fort, with an ornate facade, high walls, watch towers, and tight security.

He recounted his entrepreneurial journey as a series of roadblocks and how he circumvented them. He started in 1978 with a scheme to raise funds from the public, which got banned by 1979/80 and he had to make immediate repayment. He carried things over to a partnership firm. "But the Banking Amendment Act of 1982 banned it" from raising public money. Then he started a housing finance company, which had no ceiling on the money raised.

"We jumped into it. But before two years were out, a ceiling was imposed... Then we got into a mutual benefit company. In another 1.5 to two years it was banned." Then came the longest trouble-free period of his career, when he ran a residual non-bank finance company, which functioned smoothly for nearly two decades before – you guessed it – it was banned. "Let's not go into why the regulators banned it."

Then the two Sahara companies floated the OFCDs, Sebi's current targets, which have been told to stop and repay. "Only the cooperative route is left. But no young man or new entrepreneur can think about it. If I were to start today, I could not have grown beyond ₹5 to ₹10 crore... We have moved away from socialism in development. Only those who come from wealthy families can prosper. Let's not talk socialism, let's talk capitalism."

A disillusioned Roy, who says he never liked using goods made outside India, has started using imported perfume. "My wife used imported perfume. I used to run away when she sprayed it on me. But today I use it."

The aroma of this angst has not reached Rajaji Puram. Out there, there is no concern, indeed no knowledge, of Sahara's troubles with the regulators. Their only grievance is that the group at times takes long to give their money back. In the wise words of Hussain Bhai: "At times people have urgent work, say getting a gas connection. A delay in payment does not help in such cases." ◆

ADDITIONAL REPORTING BY ASHISH MISRA

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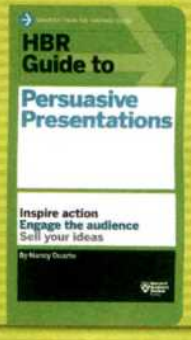

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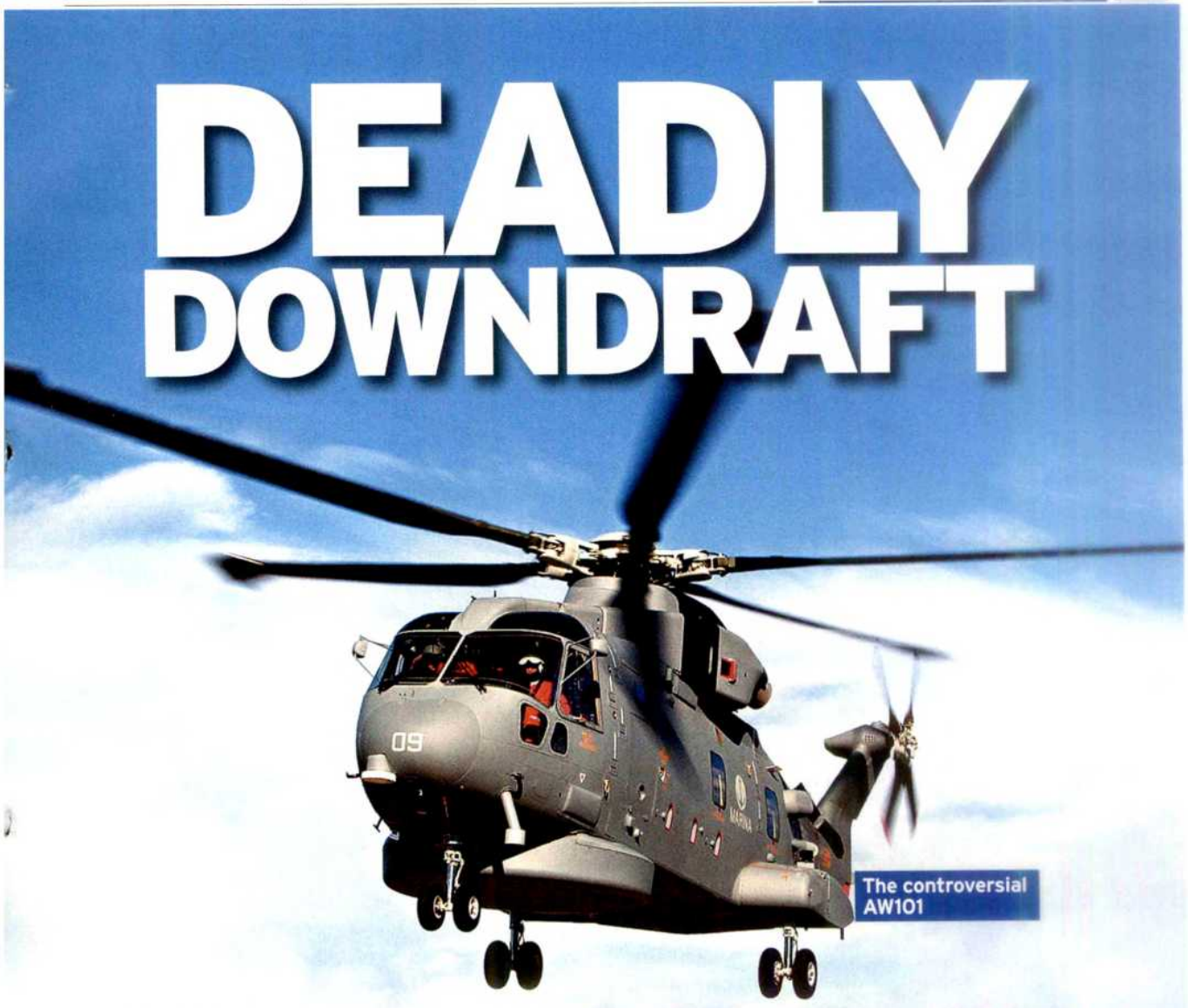

The controversial AW101

Blacklisting Finmeccanica over alleged kickbacks in the AgustaWestland helicopter deal will hit India's armed forces. By SHIV AROOR

In a country that is no newcomer to financial misconduct in military contracts, it is not surprising that the 'choppergate' scandal involving Anglo-Italian helicopter maker AgustaWestland is being likened to Bofors. Things are still in deep turmoil. The government has put on notice the maker of India's new fleet of AW101 helicopters, ordered in February 2010 exclusively for transporting VVIPs such as the Prime Minister, President and visiting heads of state. When things settle down, AgustaWestland and – perhaps more importantly – its Italian parent, Finmeccanica, are likely to be untouchable, as Bofors still is. Bofors is no longer blacklisted but India has not placed any orders with it since 1986, when the Swedish company was named in a high profile paybacks case.

On February 12, Italian police arrested Finmeccanica chairman and chief executive Giuseppe Orsi in Rome following an investigation. Italian prosecutors allege that about 10 per cent of the $750-million deal was used for kickbacks to ensure that AgustaWestland got the contract. Orsi, who headed AgustaWestland at the time of the 12-helicopter deal, denies bribing Indian politicians. India is investigating the deal, and has threatened to cancel it and blacklist Finmeccanica.

On February 19, Finmeccanica issued a statement saying: "Following recent reports concerning the alleged involvement of AgustaWestland, a Finmeccanica Group company, in irregularities relating to a contract for the supply of helicopters to the Indian government, Finmeccanica highlights that it has acted correctly throughout

POTENTIAL

Defence deals in the offing which could be affected if Finmeccanica is blacklisted

Multi-role Helicopter

BUYER: Indian Navy

NUMBER OF HELICOPTERS: **16**

SIZE OF DEAL: ₹**3,500** cr

STATUS: At final stage before opening bids

LIKELY PROBLEM: Among the finalists is the NH90 helicopter, built by NHIndustries. AgustaWestland has a 32 per cent stake in NHIndustries

Naval Multi-role Helicopter

BUYER: Indian Navy

NUMBER OF HELICOPTERS: **75**

SIZE OF DEAL: ₹**16,500** cr

STATUS: Announced

LIKELY PROBLEM: NHIndustries' NH90 helicopter would have fitted the bill

Reconnaissance and Surveillance Helicopter

BUYER: Indian Army & Air Force

NUMBER OF HELICOPTERS: **197**

SIZE OF DEAL: ₹**3,000** cr

STATUS: At final stage before opening bids

LIKELY PROBLEM: Investigations show AgustaWestland may have been in touch with agents who promised to rig field trials

"At the rate at which we are blacklisting foreign vendors, there will be nobody left – no company will do business with us. The fallout of this controversy will directly impact national security"

MAJOR GENERAL (RETD) S.V. THAPLIYAL

Analyst & former commander, Trishul Mountain Division, Ladakh

the 40 years it has operated in India, one of the most strategically important markets for the entire group."

The situation is precarious for India – the world's largest importer of every kind of military hardware. The potential blacklisting of Finmeccanica and its subsidiaries or joint ventures poses a familiar quandary for the country. Firstly, it would worsen the steady depletion of foreign sources from which weapons can be bought, as Finmeccanica would join an off-limits list that includes companies in the Czech Republic, Israel, Russia and South Africa. And secondly, India's armed forces would be – as always – the big losers.

With indigenous development capability at the nascent stage, the vicious circle of expensive imports feeding corrupt practices continues to turn. Home-grown development programmes that could have precluded imports of the kind currently being made from Finmeccanica and its subsidiaries are delayed and several years from delivering products.

At a quick reckoning, procurement programmes that could potentially be scrapped or delayed by the blackballing of Finmeccanica add up about ₹57,000 crore. That, in effect, is the amount of business the conglomerate stands to lose in the Indian market in just the next three or four years.

The Indian Navy would be the worst hit. The Ministry of Defence is in the final stage of deciding on a ₹3,500-crore deal for 16 multi-role helicopters for the navy. One of the finalists in the fray, the NH90 helicopter, is built by a company that is 32 per cent owned by AgustaWestland.

Ironically, AgustaWestland wrote to the ministry early last year, complaining about what it saw as preferential treatment to American rival Sikorsky. An incensed Indian Navy hit back at AgustaWestland, informing the defence ministry that the company had falsified facts. It remains unclear whether the ministry will go

FLAK

Avro Replacement Aircraft

BUYER: Indian Air Force

NUMBER OF AIRCRAFT: **56**

SIZE OF DEAL: ₹**12,000** cr

STATUS: Announced

LIKELY PROBLEM: Finmeccanica subsidiary Alenia Aermacchi was likely to field its C-27J Spartan against the Airbus C-295. If banned, air force may have only one vendor to buy from

Naval Utility Helicopter

BUYER: Indian Navy

NUMBER OF HELICOPTERS: **56**

SIZE OF DEAL: ₹**5,400** cr

STATUS: Announced

LIKELY PROBLEM: AgustaWestland plans to field AW109 LUH against at least two other contenders. If it pulls out, the navy has smaller choice, and the competition shrinks

Medium-Range Maritime Reconnaissance Aircraft

BUYER: Indian Navy

NUMBER OF AIRCRAFT: **8**

SIZE OF DEAL: ₹**5,000** cr

STATUS: Announced

PROBLEM: Finmeccanica owns 50% of Aerei da Trasporto Regionale (ATR), which may compete for the contract along with the ATR-72 MP. If it pulls out, the navy's choices dwindle

ahead with the vitiated competition or call for fresh bids.

The navy has also announced its intention to purchase 75 more similar helicopters in a separate competition. AgustaWestland's untouchability would mean that this competition could end up as an unviable single-vendor situation that no government would push through.

Together, that is ₹20,000 crore worth of critically required maritime helicopters that are likely to fail to arrive on schedule. The result: the navy will be forced to extend the life of its ageing Westland Sea King fleet.

Two other crucial naval acquisition programmes for 56 light utility helicopters and eight medium-range maritime reconnaissance aircraft – together worth roughly ₹10,000 crore – could become drastically less competitive. AgustaWestland AW109 was to be a contender for the former requirement, while the ATR-72 MP, built by inmeccanica's 50 per cent joint venture, ATR, is a prospective participant in the latter. Fewer competitors almost always means higher prices and less bargaining power for Indian negotiators.

Vice Admiral (Retd) A.K. Singh, analyst and former chief of the Eastern Naval Command, says: "The defence ministry should ... chart out the potential fallout and damage of blacklisting a company like Finmeccanica. Bribe givers and takers must be punished – there can be no two ways about that. But there must be a critical assessment to make sure that decisions taken do not harm the armed forces and the modernisation process. As things stand ... crucial acquisitions may fall by the wayside."

Singh also points out that blacklisting could affect the local production of naval Otobreda 76mm deck guns, under licence from Finmeccanica subsidiary Oto Melara. The company's Otobreda 127/64 lightweight naval gun, under consideration for an Indian Navy requirement of heavy calibre deck guns, could also be dead in the water. A

"The defence ministry should chart out the potential fall-out of blacklisting a company like Finmeccanica. One should make sure that decisions taken do not harm the armed forces"

VICE ADMIRAL (RETD) A.K. SINGH

Analyst and former chief of the Eastern Naval Command

SLOW PROGRESS

Defence-related production in India has a long way to go. Some products being developed locally

Multi-role Helicopter

PURPOSE: VVIP transport, logistics, casualty evacuation, deep combat assault, offshore operations, humanitarian relief

STATUS: Hindustan Aeronautics Ltd (HAL) has not yet identified a foreign partner

PROGNOSIS: Just the prototype likely to be ready by 2017/18

Light Utility Helicopter

PURPOSE: Reconnaissance, surveillance, light logistics

STATUS: Full-scale mock-up displayed at air shows, though HAL has not yet identified the engine or systems that it will use

PROGNOSIS: Unlikely to fly before 2015

Multi-role Transport Aircraft

PURPOSE: 20-tonne medium lift transport jet being developed in a joint venture with Russia. IAF intends to buy 45 aircraft

STATUS: Development currently on

PROGNOSIS: Prototype flight only by 2017/18

competition to choose a new torpedo could fizzle out, too.

Business Today's sister magazine *India Today* was the first to report in February that an agonisingly protracted process to choose 197 new light reconnaissance helicopters worth ₹3,000 crore for the army and air force was to be shelved following irregularities in the selection process. The last nail in that deal's coffin was the discovery of mysterious documents last year by Italian investigators probing AgustaWestland's alleged middlemen in Italy and Switzerland, suggesting that AgustaWestland – once a contender for the light helicopter contract but since eliminated – may have been in touch with Indian armed forces personnel to swing the deal in its favour. The government doesn't want to touch what's left of the vitiated and tainted deal. "It will die a natural death," says a senior official in the defence ministry's acquisitions wing.

Major General (Retd) S.V. Thapliyal, analyst and former commander of the Trishul Mountain Division in Ladakh, says: "There is massive profligacy in the priorities of defence procurement. Why does the need for VVIP helicopters take precedence over more urgently needed aircraft for the armed forces? The services will be forced to make do with ludicrously old equipment for years. This is a dangerous situation. At the rate at which we are blacklisting foreign vendors, there will be nobody left – no company will do business with us. The fallout of this controversy will directly impact national security."

The army, air force and navy will now be forced to stretch the life of their light helicopter fleets of Chetaks and Cheetahs, built by Hindustan Aeronautics Ltd (HAL), Bangalore.

The Indian Air Force, which faces the knife edge of the AgustaWestland freeze – it took delivery of three AW101 VVIP helicopters in December 2012, which it may end up sending back to Europe – will be affected in other ways too: a ₹12,000-crore effort to buy new transport aircraft to replace 56 creaky, obsolescent HS-748 Avros could wind up unviable if the government disbars Finmeccanica subsidiary Alenia Aermacchi from fielding its C-27J Spartan as a contender.

The three indigenous programmes that could have pre-empted the need to import any of the equipment mentioned above, are all largely on the drawing board. Dependence on imported equipment and a staunch refusal to allow Indian private-sector companies, such as the Tata and Mahindra groups and L&T, to lead the production of aircraft, helicopters and advanced defence systems, has ensured that crucial programmes are either in the doldrums or have remained bound in red tape at South Block. These include the Indian Multi-role Helicopter – currently only a drawing on a computer – the Multi-role Transport Aircraft that HAL is developing in a joint venture with Russia, and the Light Utility Helicopter that has so far remained a model fixture at the bi-annual Aero India show. ◆

The writer is a Deputy Editor at Headlines Today

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Self-reliance is Still a Pipe Dream

Even a decade after the Indian private sector entered defence production, it remains a peripheral player

The inauguration ceremony of every Defexpo is always a disconcerting experience. Proud of the fact that India is the world's largest importer of defence equipment, every Indian leader flaunts India's huge shopping list. Instead of considering India's inability to produce a single major defence system as a matter of national shame, they bask in the attention showered on them by foreign vendors.

The current dispensation has been an unqualified failure. While self-reliance in defence production continues to be a pipe dream, the lack of a vibrant indigenous defence industry is costing the country dear. Foreign military equipment acts as a crutch. Dependence on it makes a nation hostage to the policies of the exporting nations and the dictates of unscrupulous foreign vendors.

The recent disclosure of alleged transgression in the procurement of helicopters is a matter of serious concern. In case the company is blacklisted, a number of critical projects will get stalled. This would hurt the modernisation of the Indian armed forces, which are already nearly 15 years behind the times. Nearly half the inventory is nearing the end of its useful life and needs replacement.

In 1995, the government announced an ambitious action plan to reduce the share of defence imports from 70 per cent to 30 per cent by 2005. Its utter failure can be gauged from the fact that the imports have climbed to nearly 75 per cent now, making a mockery of much-trumpeted policy initiatives. Worse, indigenous production is limited to low-tech items and components. Assembly of imported sub-assemblies is passed off as indigenous production and sold at unethically exorbitant profits, as in the case of Tatra vehicles by Bharat Earth Movers.

Most of the blame for the state of India's defence industry can be apportioned to the Department of Defence Production. It perpetuates the monopoly of an inefficient, insecure and inept public sector. Despite repeated assertions about equal opportunities for both sectors, all efforts are made to exclude private companies. As a result, even a decade after the defence sector was opened up, the private sector remains a peripheral player.

With 39 ordnance factories and nine undertakings, the public sector has excellent infrastructure and manufacturing facilities. But it has failed to use the periodic infusion of imported technologies as a springboard to develop newer technologies. Its monopolistic dominance and assured orders have created a culture of complacency.

Aware of its weaknesses, the public sector is wary of competing with a more efficient private sector, and tries to bag contracts through nomination. Regardless of the urgency of a proposal, the public sector stalls its progress unless it is awarded to it. The case of Tactical Communication Systems indicates the extent of its clout. The requirement was first projected in 1996, but it has taken the government 16 years to overcome the obduracy of the public sector, which wanted to keep the private sector out.

The Defence Research and Development Organisation (DRDO) has let the services and the nation down. It has the dubious distinction of never developing

Most of the blame for the state of India's defence industry lies with the Department of Defence Production, which perpetuates the monopoly of an inefficient, insecure and inept public sector

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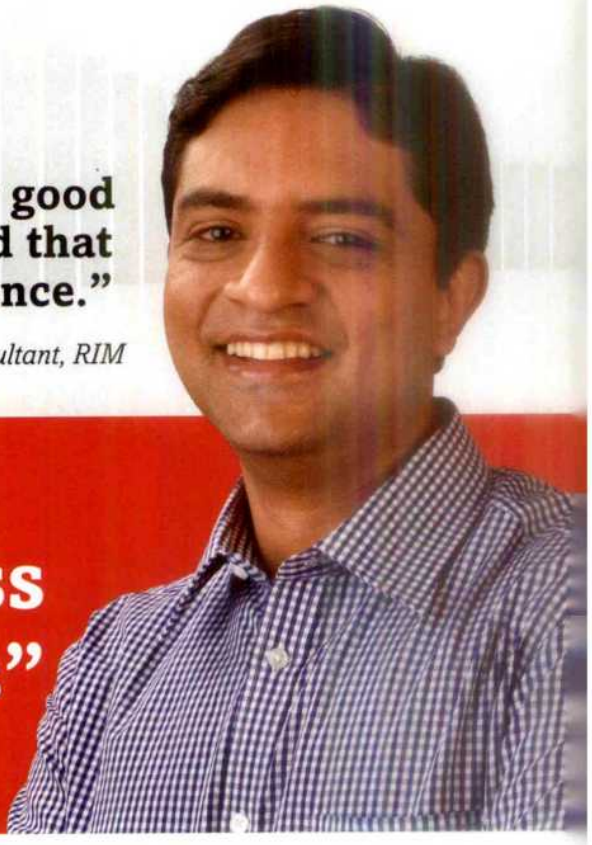

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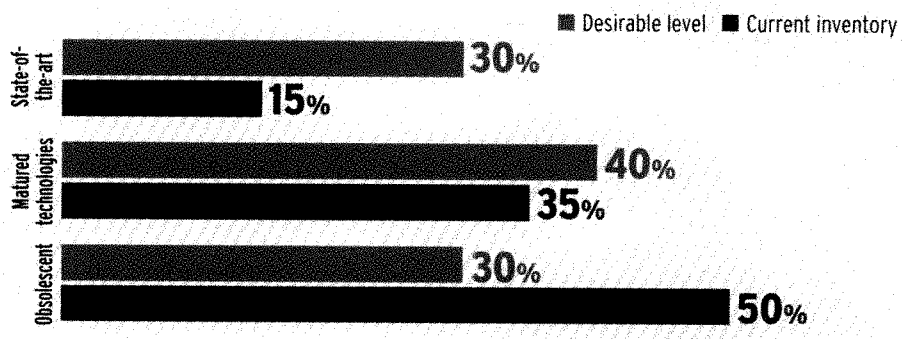
WORRISOME STATE OF THE INDIAN ARMED FORCES



any equipment in the required time-frame and conforming to operational parameters. In the saga of false promises, exaggerated claims, inexplicable delays, cost overruns and sub-optimal products, the only success is the replication of some imported low-tech products, euphemistically called 'reverse engineering' or 'indigenisation'.

DRDO's abysmal failure to develop defence technologies forces India to depend on foreign manufacturers. Not a single state-of-the-art weapons system has been developed indigenously. There are three reasons for its inability to deliver: absence of accountability, lack of focus and failure to develop a scientific disposition.

India has failed to appreciate that the management of defence production and acquisition requires highly specialised handling. One can have the best of organisations and ideal procedures in place, but these are only as good as the people involved. The indifferent quality of functionaries is another reason for the current mess.

Officials who formulate policies and handle acquisition lack the education necessary to understand complex weapons systems. Their approach is entrenched in procedural quagmire

Officials who formulate policies and handle acquisition are drawn from the civil services and defence forces. They are not selected for any demonstrated talent, nor are they given any special training. They also lack the education necessary to understand competing technologies and the technicalities of complex weapons systems. For most of them, it is just another routine assignment, and their approach remains entrenched in bureaucratic mediocrity and procedural quagmire.

Being ill-equipped to understand the impact of the intricate dynamics of the arms trade on the growth of the indigenous defence industry, they formulate policies that are too convoluted to succeed. For example, the policy on foreign direct investment in defence has been a failure, as foreign investors find the 26 per cent cap and associated caveats unattractive. Instead of exploiting the enormous leverage of offsets to acquire cutting-edge technology, they are being wasted on transitory gains of counter-trade.

There was much euphoria when the government issued the Defence Production Policy in January 2011. It was hailed as a catalyst to enhance the potential of the Indian defence industry, especially the private sector, and small and medium enterprises. Optimism has since been replaced by despondency, and the policy has turned out to be a damp squib.

It is time the government shed its pro-public-sector mindset and provided equal opportunities to the private sector. It should consider both sectors as national assets and harness their potential. Unfortunately, no encouraging signs are visible as yet. ◆

The author is an expert in defence procurement procedures and offsets

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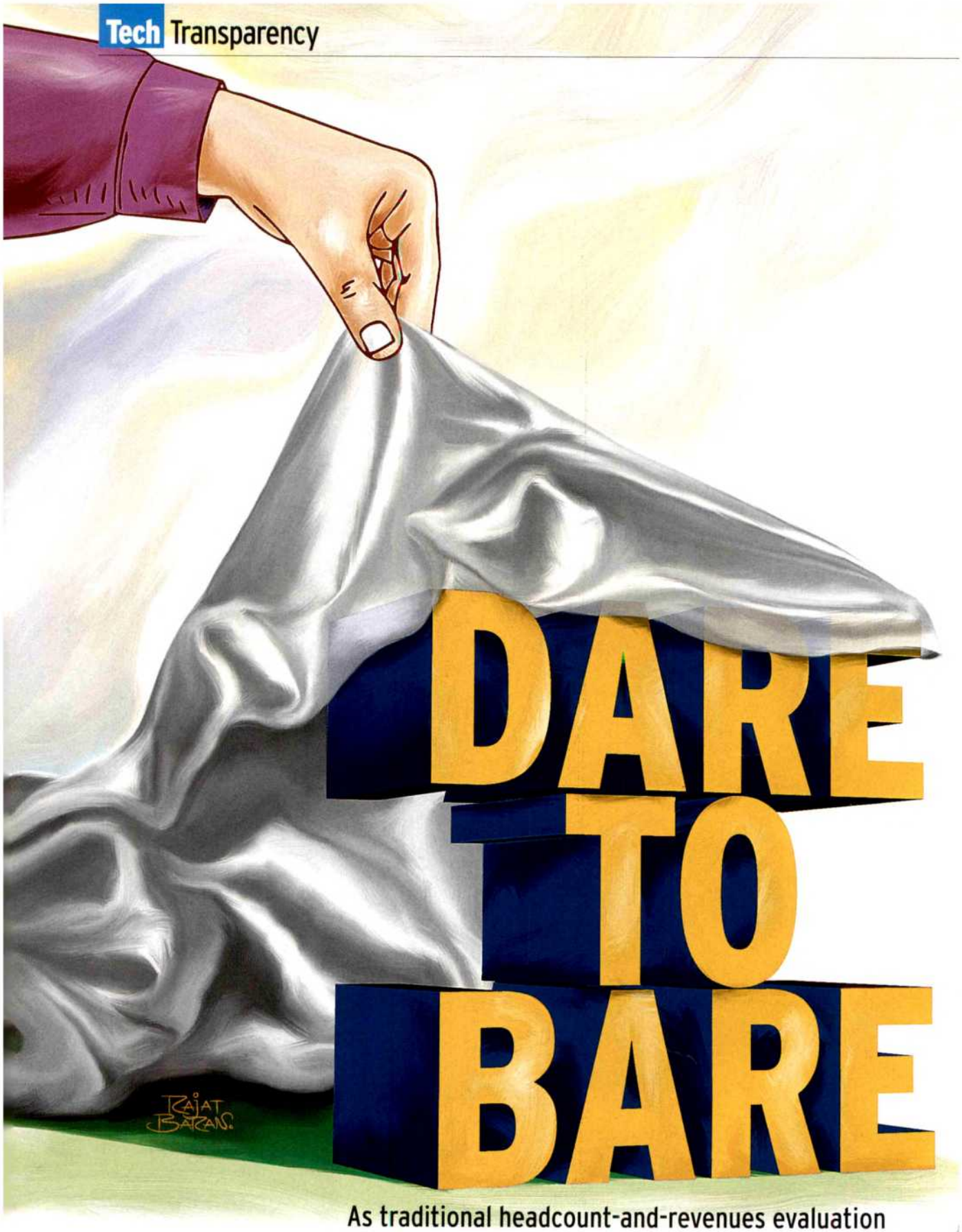


As traditional headcount-and-revenues evaluation of IT companies loses relevance, the software industry needs to disclose more. By GOUTAM DAS

On January 18, towards the end of a 61-minute analyst call at Wipro to discuss the company's December quarter results, Kawaljeet Saluja, an analyst with Kotak Institutional Equities, stirred up a hornet's nest. "How should I think about the complete disconnect between volumes and realisation," he asked CEO T.K. Kurien. "Should we just continue to look at these metrics the way we have been historically, or are there changes that you are trying to drive in the business, which are reducing the utility of disclosed metrics?"

Analysts evaluating the Indian information technology (IT) services industry, break up a company's revenue growth into volumes, a measure of billed hours that is linked to people growth as well as price realisations. Historically, both volumes and pricing have moved in tandem but in the December quarter, Wipro's volumes were down one per cent while price realisations had jumped more than two per cent.

"I think the only measure that matters is how the top-line is growing. There are only two measures that frankly we worry about. One is top-line growth, the other one is gross margin," Kurien replied.

When Saluja pressed further, company veteran and Executive Director Suresh Senapaty agreed some of the older metrics like headcount addition were becoming less relevant. "Theoretically, it (the older metrics) has lost its utility. But because traditionally all of us have been giving and you guys have been deliberating on it, we are engaged on it but at the end of the day it is losing relevance," he said.

WHAT MAY BE OUT

Some of the parameters on which an IT company's performance is judged may no longer be telling the whole story:

Expectations of volume growth and pricing

Traditionally, IT company revenues depended solely on the man-hours they billed per project, and the price charged per hour. But now they have multiple revenue streams.

Annual addition to the workforce:

This was earlier a barometer of a company's growth plans. But now companies have reduced bulk hiring from campuses and hire people as and when required for new projects.

Target utilisation rate:

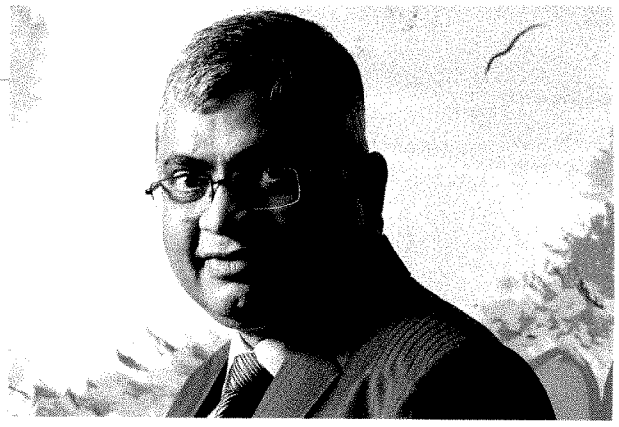
This is the percentage of the workforce in a project whose man-hours are billed to the client. It may no longer be an accurate measure of a company's productivity, due to the growing complexity of projects and greater dependence of companies on new deals for growth.

Source: Adapted from Kotak Institutional Equities report

Saluja is a respected name in financial markets; he first shot to fame when he questioned the Satyam management about $500 million lying idle in a current account in October 2008. Two months later, then-Chairman B. Ramalinga Raju, initially jailed and now out on bail, admitted he had cooked the company's books. Today, Saluja is the most vocal about additional disclosures IT services companies need to make as business models change in the industry: from a linear model where more revenues came with a proportional expansion of headcount to revenue streams that are independent of people growth.

Earlier in January, Saluja sent a note to investors, arguing why the Street's line of questioning to companies should change. "From volumes, pricing, sequential growth rates, attrition, utilisation and wages, we believe the discussion needs to shift to order backlog, new bookings, execution time frame, employee productivity, year on year-growth rates, return on invested capital of contracts, execution capabilities and quality of attrition. Companies do not make disclosures on these lines, at this point. However, constructive discussions on them will ensure a new set of 'relevant metrics' are shared with investors," he wrote.

Of the 13 analysts *BT* spoke with, seven agreed with Saluja and said that IT companies need to disclose more for the analyst community to be able to accurately model and forecast revenue and profitability growth. While the rest said that the older metrics like headcount were still sufficient given that 50 to 60 per cent of the industry's billings are



"If the industry demands it, people will report it. But there are no common industry standards of reporting many metrics"

KRISHNAKUMAR NATARAJAN, CEO, Mindtree

made on a "time and materials" (T&M) basis, everybody agreed that it is becoming increasingly difficult to model a company's financials. T&M pricing involves charging a dollar rate per hour per person.

Analysts point to the December quarter results of Infosys to illustrate the frailty of the current set of disclosures. Most analysts tracking the company failed to predict the 4.2 per cent quarter over quarter growth in revenues and had expected the top-line to inch up by just 1.5 per cent. In the past, upticks in volume and price successfully offset the impact of salary inflation in companies. However, in the September quarter, TCS, the country's largest IT exporter, reported a decline in operating margins despite healthy volume, pricing and currency benefits.

"Infosys provides all the metrics, but those are now becoming redundant to predict its performance. Earlier, it was very easy to predict the revenues for most IT companies. And that's why they used to get a big premium to the market," says Sanjeev Hota, an analyst with Mumbai brokerage Sharekhan.

What were the metrics that aided easy forecast? To arrive at a revenue projection, analysts typically multiply the number of billable people in a company to the dollar per hour rate charged from clients, factoring in the number of working hours in a particular month. The tabulation is separately done for offshore and onsite workforce because employees abroad have a higher billing. Companies, therefore, disclose headcount and utilisation (bench utilisation in the IT industry indicates the number of employees a company can bill), onshore-offshore mix of employees, and indicate price movements.

This model is facing limitations because companies are selling more fixed priced projects, intellectual property-based solutions, automation and infrastructure management services. iGate's CFO Sujit Sircar said that by automating an outsourced accounts payable process at different levels, a company can potentially reduce 20 per cent of the workforce it would otherwise need to execute. If a company's business model is based on outcomes rather than the dollar per hour model, it can potentially earn more with fewer people.

The wishlist from analysts is long (see *What May Be In*) and ticking the boxes on all items is not possible. For instance, K.K. Raman, a partner at audit and consultancy company KPMG, notes that the percentage of work done for top clients on a non-T&M basis would be a good indicator of client confidence in a service provider. Rajeev Sawhney, former chief of HCL Technologies' Europe operations, says companies should disclose to investors a metric they track very closely internally – the ratio of Existing Accounts Existing Business to Existing Accounts New Business

WHAT MAY BE IN

Some of the additional details IT companies may soon have to disclose

Annualised contract value of **multi-year deals**

Book to bill ratio (the ratio of orders bagged to amount billed)

Revenue productivity per person

Gross margin and operating margin per person

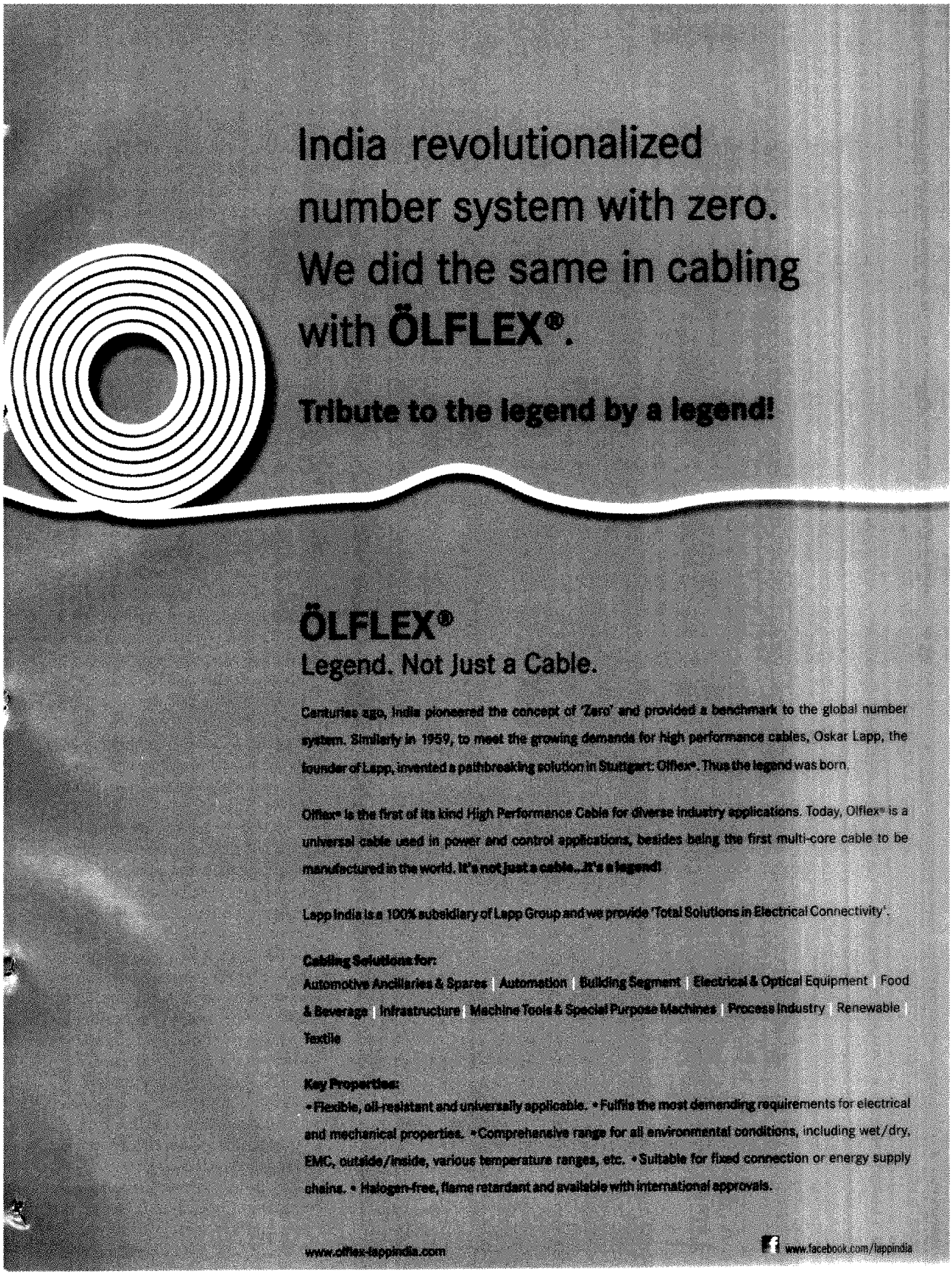
Percentage of work done for top clients on a **fixed price basis** (as distinct from the T&M basis IT companies normally use)

Some measure of assets such as tools and **reusable components** a company possesses

Percentage share of **IT budgets** of key clients

Standardised attrition data and disclosure of attrition in **mid- and senior-levels**

Deals won by using **third-party advisors**



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COPING WITH SUDDEN DISRUPTIONS

In recent years, consumers have emerged as the biggest drivers of technology. A decade ago it used to be enterprises at which most innovations were conceived. Could an analyst have forecast this trend even five years back? Probably not. At this year's NASSCOM India Leadership Forum, *Business Today* Editor Chaitanya Kalbag moderated a panel discussion on the question – are technology predictions redundant?

NISHIKANT GAMRE

Crystal gazers: (From L to R) *Business Today* Editor Chaitanya Kalbag with Christoph Baeck of Hilti, Gerald Hohne of SMA Solar Technology, and Manu Parpia of Geometric

Panellists included seasoned technology buyers and providers: Christoph Baeck, Head of IT Asia at European construction equipment company Hilti; Gerald Hohne, Vice President of IT Services at German company SMA Solar Technology; and Manu Parpia, MD and CEO of Indian IT solutions company Geometric.

The panellists noted that history was replete with examples of predictions going wrong. Forecasts around three-dimensional (3D) printing were one of them. "Today, everybody is talking about 3D printing and how it can change the face of manufacturing," said Parpia. "Ten years back, people said it was esoteric, expensive and hobbyist." 3D printing, a manufacturing process where printers deposit layers of material to create a solid object from a digital model, is becoming mainstream today.

Baeck felt that consumer-driven technology was making life harder for enterprises such as his. They have to support newer and newer devices and a wrong product bet – for instance, on netbooks that quickly went out of fashion – can be a costly mistake.

At the end of the discussion, panellists reached one unanimous conclusion. While it is important to predict technology trends, the horizon of that prediction has shrunk vastly. Enterprises must prepare and cope with unexpected disruptions.

to Net New Business. "It is a good indicator of where a company's challenges are," he says.

Companies, however, may be hesitant to disclose metrics at this granular level.

But there are also suggestions that are easy to implement. "What could become more relevant is the order book. The orders you are sitting on and which are executable in the future would demonstrate visibility in the business," says a Wipro executive, who did not want to be named. Though his company has not taken a decision to disclose its order book, he predicts companies would come out with it in two years.

Similarly, total contract value (TCV) or even the annualised contract value (ACV) of a company will become increasingly relevant given the number of multi-year deals being signed. Cognizant, for instance, announced a seven-year $330 million deal with ING Group in 2012 and a five-year deal with Rabobank earlier this year. If ACVs of a few big deals are known, investors can easily predict if a company will match, beat or miss industry growth rates in a year.

Another metric being demanded is the quality of attrition. Analysts want companies to qualify attrition at different levels rather than just giving out an annualised number, since in outcome-based projects, mid-level and senior level employees have a significant role to play. "If the industry demands it, people will report it. But there are no common industry standards of reporting many metrics," Mindtree's CEO Krishnakumar Natarajan says. In calculating attrition, for example, some companies exclude subsidiaries while others exclude the number of people they have sacked.

Still, the time may have come for better quality disclosures by IT companies. ◆

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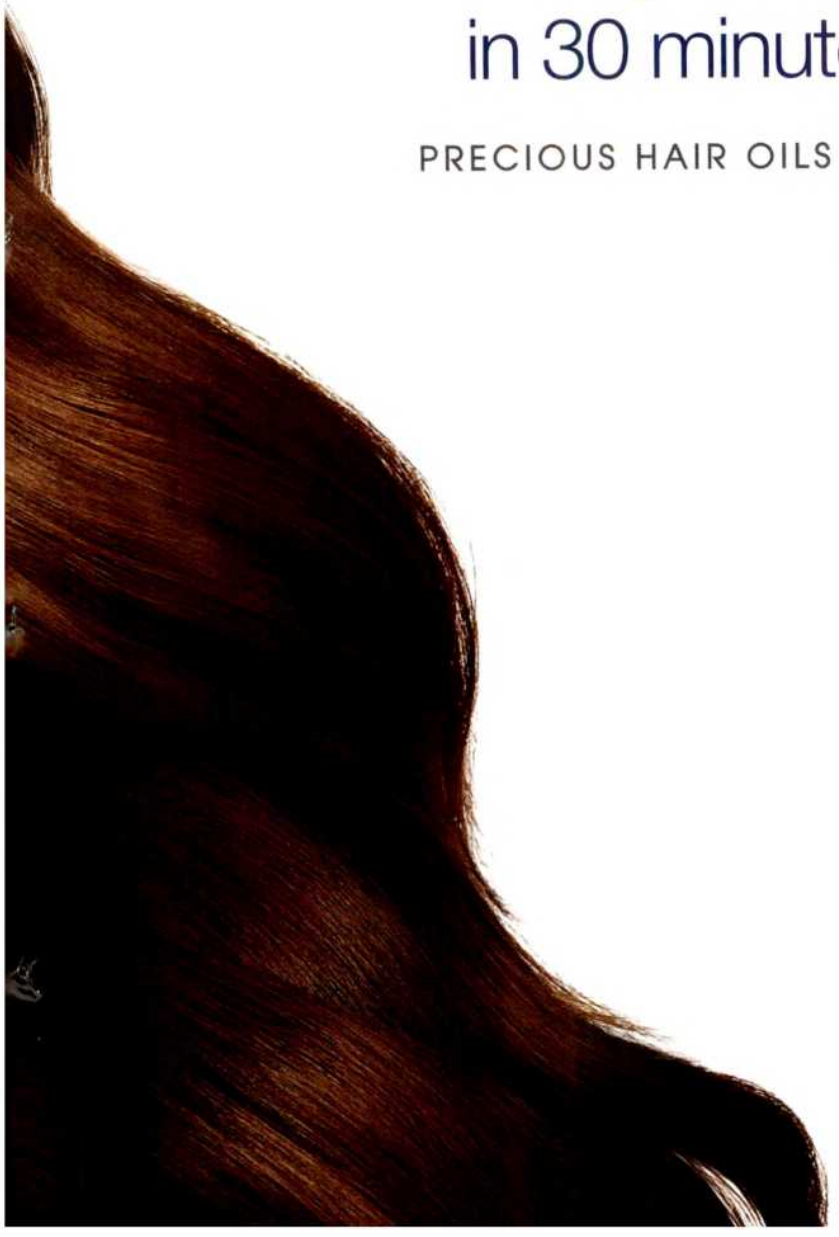

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Europe Comes Calling

What the recent visits, in quick succession, of the French president and the British prime minister, mean for India

The successive visits of French President Francois Hollande and UK Prime Minister David Cameron to India this month can be viewed from different angles. Both countries clearly attach increasing importance to the India relationship. Opportunities in India are considerable even now despite the current economic slowdown, and will grow vastly as India continues to rise. Interest in India is also part of the wider reality of economic power shifting steadily towards Asia, with France and the UK, therefore, needing to retain and expand their share of a market that is fostering linkages eastwards. The fact that Europe is in crisis and the French and British economies are in trouble explains also the enhanced attention to India.

For India too, relations with France and the UK are of major importance bilaterally and within the framework of our relations with Europe, which remains India's largest trade and investment partner. The Eurozone crisis has impacted more on the Indian economy than the US financial crisis. France and the UK as the fifth- and sixth-largest economies in the world with advanced technologies to offer are very valuable partners for India. We are appealing to both to ensure a "fair, balanced and forward-looking" India-European Union Trade and Investment free trade agreement.

Both leaders were accompanied by large business delegations, 45 with Hollande and over 100 with Cameron – the largest delegation to leave UK's shores. The target of doubling bilateral trade with France, set in 2008 (€12 billion by 2012) has not been met. That set with Britain in 2010 (£24 billion by 2015) is not likely to be met either given present conditions.

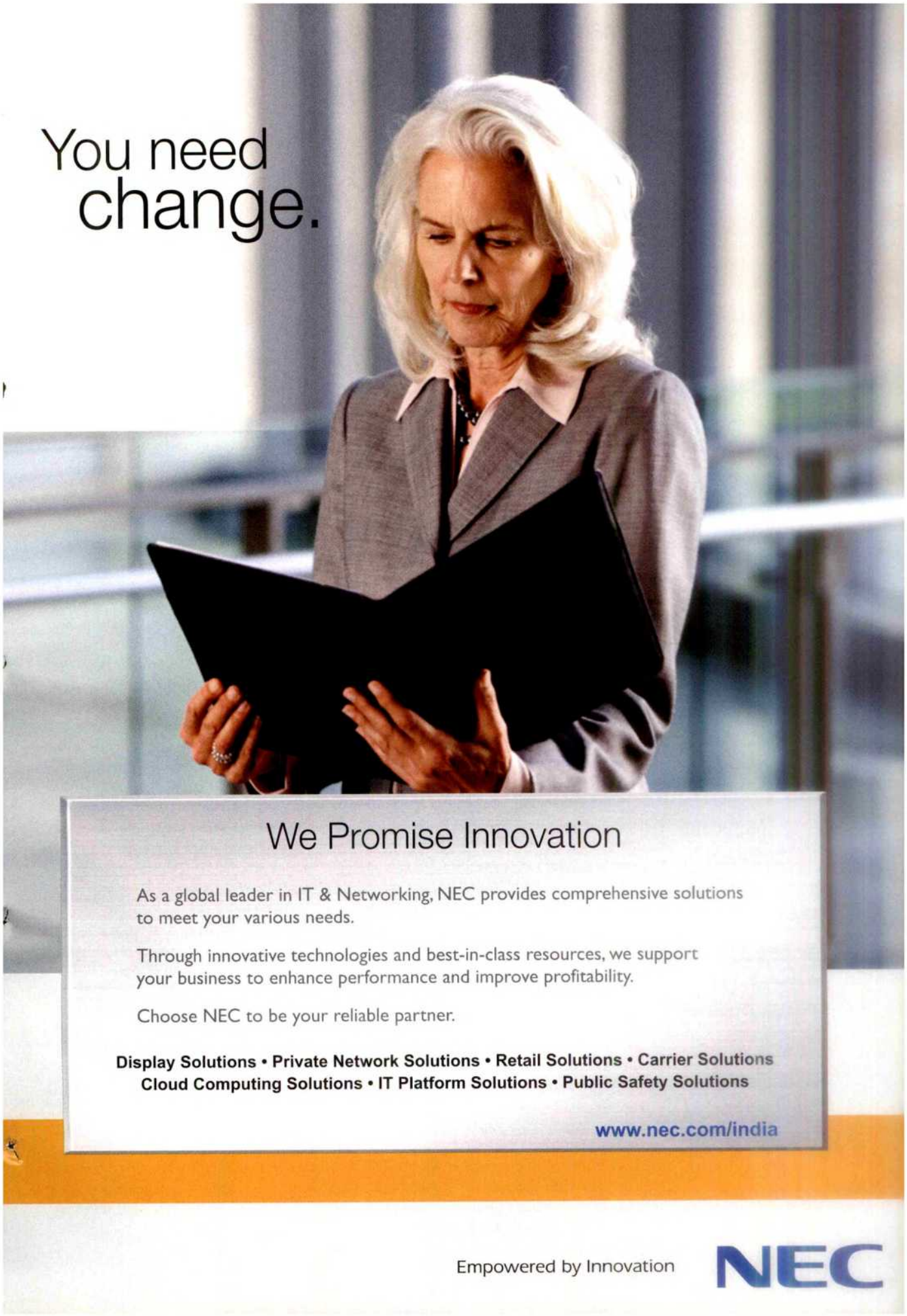
On the investment side, the UK is well ahead of France, with Cameron pointing out that 50 per cent of Indian investment in Europe was in the UK and his country was the biggest European investor in India. He promised to remove barriers to Indian investment in the UK further, asking in return that India remove its barriers too, especially for British legal, accountancy, architecture and other services.

India wants investment for upgrading its infrastructure. Hollande laid stress on cooperation in sustainable urban planning, including infrastructure, transport, water, waste management as well as railways. The UK has shown interest in the Bangalore-Mumbai industrial corridor, but the joint statement on this is couched in very tentative language, with the leaders agreeing "to examine and evolve the modalities and content of a feasibility study of this project concept through mutual discussions and to work out a roadmap for a possible partnership in this area". British participation in India's National Manufacturing and Investment Zones has been mooted. This, it is felt, would attract British small and medium enterprises to India. A lot of focus during Cameron's visit was actually on potential opportunities for them.

Cameron singled out health care and education as highly promising areas. In

The target of doubling bilateral trade with France set in 2008 (€12 billion by 2012) has not been met. And that set with Britain in 2010 (£24 billion by 2015) is not likely to be met either given present conditions

DAVID CAMERON
British Prime Minister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FRANCOIS HOLLANDE
French President

education, strong India-UK relations have been impacted by changes in the UK visa regime. However, Cameron has indicated these will be reversed – there will be no limit on visas and graduate jobs. He has promised same-day visa services to Indian businessmen. France is far behind in education, but is keen to expand student exchanges through an ambitious education plan, including twinning of higher education institutions, mutual recognition of degrees, exchange of doctoral students, along with an enabling agreement on "people mobility and migration".

Second, there is the advanced technology angle. France, unlike the UK, is a privileged partner for cooperation in nuclear energy with India. The agreement on the Jaitapur nuclear power project could not be signed during Hollande's visit, but the commitment of both sides to its early implementation "as soon as the commercial and technical negotiations, which have made good progress, are completed" was reiterated. India and the UK have now decided to open talks for a civil nuclear cooperation agreement. In space, cooperation with France has been longstanding and an agreement to launch a jointly developed satellite was announced during Hollande's visit. This area is absent from the gamut of India-UK ties. India's concerns about easier access to hi-technology were addressed by Hollande with the signing of several memorandums of understanding between institutions to broaden the scope and depth of future engagements in science, technology and innovation. Cameron, too, stated the UK's commitment to make available to India the cutting-edge British technologies, civil and military, that the UK currently shares with its top international partners, but in accordance with "international obligations". Cameron supports greater cooperation between India's Defence Research and Development Organisation and the UK Defence Science and Technology Laboratory. Both Hollande and Cameron supported India's membership of the Nuclear Suppliers Group, the Missile Technology Control Regime, the Australia Group and the Wassenar Arrangement, the four non-proliferation and technology control regimes.

Third, there is the defence angle. Both France and the UK have been long-standing defence partners of India, but France has a record untainted by participation in sanctions. Cameron has expressed his disappointment publicly at losing the contract for the Medium Multi-role Combat Aircraft (MMRCA) to France. During Hollande's visit, it was noted that "the projects for the Scorpene submarine and upgrade of the Mirage 2000 are moving forward and steps are being taken for early finalisation of the Short Range Surface-to-air Missiles project. Both sides noted the progress of ongoing negotiations on the MMRCA programme and looked forward to their conclusion". This should dampen speculation that the Eurofighter might re-enter the fray if negotiations with Dassault run into difficulty. The AgustaWestland controversy cast its inevitable shadow on the Cameron visit.

Afghanistan, Iran and Syria figured in discussions, as well as enhanced counter-terrorism and cyber-security cooperation. Both leaders called for an expeditious trial of those responsible for the Mumbai terrorist attacks. Both reiterated support for India's United Nations Security Council permanent membership.

The recent tendency in India to belittle the importance of Europe in our external ties is ill-considered and ill-informed, suggesting a discomforting hubris on the part of some of our opinion-makers. ◆

The writer is a former Foreign Secretary

The recent tendency in India to belittle the importance of Europe in external ties is ill-considered and ill-informed, suggesting a discomforting hubris on the part of some opinion-makers

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Flight Schedule to Japan

Delhi - Tokyo

NH918	Delhi 01:25	→	Tokyo (Narita) 12:50
NH917	Tokyo (Narita) 17:20	→	Delhi 00:20(+1)

Mumbai - Tokyo

NH944	Mumbai 21:05	→	Tokyo (Narita) 08:45(+1)
NH943	Tokyo (Narita) 12:10	→	Mumbai 19:45

NH943 departs 2 hours earlier from 13th December, 2012 to 21st January, 2013

Flight Schedule to USA (4th November, 2012 - 9th March, 2013)

Delhi → USA

Delhi → Tokyo					Tokyo → USA				
Delhi	01:25	NH918	12:50	Tokyo (Narita)	Tokyo (Narita)	17:30	NH1078	09:50	Seattle
						17:25	NH8	09:30	San Francisco
						17:05	NH6	09:45	Los Angeles
						17:35	NH1076	10:10	San Jose*

USA → Delhi

USA → Tokyo					Tokyo → Delhi				
Seattle	11:55	NH1077	15:45(+1)	Tokyo (Narita)	Tokyo (Narita)	17:20	NH917	00:20(+1)	Delhi
San Francisco	11:10	NH7	15:25(+1)						
Los Angeles	11:30	NH5	16:25(+1)						
San Jose*	11:45	NH1075	16:10(+1)						

The flight schedule is subject to change without prior notice.
*We now announce the inauguration of Tokyo (Narita) - San Jose service 5 flights per week w.e.f. 11th January, 2013. Subject to government approval.
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Desperate for a Lift

Rave reviews, yes. But the new BlackBerry Z10 may not revive its maker's fortunes in India. By SUNNY SEN and NANDAGOPAL RAJAN

Just a week before the launch of BlackBerry's BB10 devices in India, its offices in Gurgaon, near Delhi, seemed oddly quiet. The lack of eye-catching brand paraphernalia and bustling staff were reminiscent of the India offices of Finnish mobile phone maker Nokia right before it launched its Lumia series of Windows phones, over a year ago. Most of the Canadian smartphone maker's staff were out, preparing retail and enterprise personnel for the expected sales of phones with the new BB10 operating system. The desolate offices seemed to suggest desperate efforts to stem the decline in market share and win back customers.

However, Sunil Dutt, BlackBerry's Managing Director in India, does not seem worried. "I'm excited," he says. He joined BlackBerry in December 2011, when Android smartphones suddenly seemed to be everywhere, elbowing BlackBerrys out of their way. Industry watchers say Dutt is a formidable rival. He worked with Nokia in its heyday, and later joined Samsung and engineered a massive shift of distributors from Nokia to the Korean company.

But it may take more than his sales acumen to win back BlackBerry deserters. BlackBerry, second among smartphone makers in 2010 according to CyberMedia Research, has steadily lost market share to Android devices, and the biggest gainer is Samsung. And while the BB10 has got great reviews, the fact is that its first device, the Z10 – to be priced around ₹40,000 – competes with high-end Android devices, Apple's iPhone and the latest Windows Phone.

Many analysts say BlackBerry is going the Nokia way. Nokia, once a global market leader, somehow lost sight of its consumers and was overtaken by Samsung. It was a latecomer to touch screens, and the Microsoft Windows association came after Android had already gobbled more than half the smartphone market. BlackBerry did introduce touchscreen smartphones such as the Torch and Storm, but they used an operating system designed for keyboards. Only last year it announced that it would launch a superior platform, the BB10.

"As far as revamping is concerned, they are in the same league as Nokia was three years back," says Anshul Gupta, Principal Analyst at global technology research firm Gartner. "For BlackBerry, it is like building from scratch."

A day with the BlackBerry Z10

7 AM

Some things haven't changed. Like all the previous models, the BlackBerry Z10, too, takes a long time to power up. It took 55 seconds to come to life. I start to charge the phone.

9 AM

Fully charged at last. It's taken two hours. The new model brings the magic of its QWERTY key mat to a touch screen. It is comfortable to use, and intelligent enough to understand typing patterns and suggest words. With a bit of practice, I could just flick in words instead of typing them out.

10 AM

To click a picture of a colleague, I use the TimeShift camera feature. The shutter takes a bit longer than other camera phones, but you can manipulate the posture and expression of each face after you have clicked, to tweak the composition. The camera is much faster than before and is instantly ready for the next shot.

Sunil Dutt, MD, BlackBerry India

Dutt disagrees. "We don't depend on anyone for an operating system," he says. In 2011, Nokia bet on Windows for its future smartphones. But BlackBerry must face the fact that the volumes are at the low end of the market – phones priced under ₹15,000. In countries such as Indonesia and India – two of BlackBerry's most important emerging markets – as many as 45 million BlackBerry devices are sold each year, mostly at the low end, according to Byron Capital Markets. Affordable BB10 devices are more than six months away. "There will not be an abrupt transition. It will be a gradual transition," says Dutt.

In 2009, BlackBerry did everything right. It launched the Vodafone 'BlackBerry boys' campaign and lowered the price of entry-level Curve handsets. Its new white and red Curves were a hit. College kids got hooked on to BlackBerry Messenger, a free substitute for SMS that let users share pictures or videos and chat in groups. The BlackBerry was a social networking device. Sales soared, but success was short lived. In the last quarter of 2012, CyberMedia Research reports, Apple shipped 280,000 devices in India, while BlackBerry shipped just 210,000.

Analysts say that even with a range of devices, the BB10 won't bring in the volumes. Amit Goel, CEO of re-

11 AM

I open the pre-loaded YouTube app to watch a tech review. Turns out it's not really an app, just a link to YouTube's mobile page. But I could e-mail while waiting for the video to buffer. By the time I was done with mail, the video was ready to play. This is real-time multitasking.

YouTube

12:30 PM

The LED is blinking and I swipe in to see Facebook, mail and SMS alerts. I swipe left-to-right to open the BB Hub, the one-stop shop for all new mail and notifications. Even while in another app, I can peek into the Hub by just swiping from the bottom up and drawing a semicircle towards the right.

BlackBerry World

1:30 PM

Searching for new apps at the new BlackBerry World app store, I notice that a number of popular ones, such as WhatsApp and Instagram, are not to be seen. But searching and downloading apps is much easier and faster than on previous models. And no reboot is required to install them.

search firm Knowledgefaber, says: "The company will do well to hold on to its five per cent market share in the Indian smartphone market, where Samsung tops with around 40 per cent."

"It is critical to come out with affordable BB10 devices," says Canada-based Kevin Restivo, Senior Analyst at International Data Corporation (IDC), a technology market intelligence firm. "We will see less of transition in the emerging markets."

Tom Astle, Technology Analyst at Byron Capital Markets, writes that emerging markets are "where BlackBerry has traditionally had strength and still has a solid brand." He adds that "for penetration here, we believe BlackBerry will need to offer a lower end model than the ... Z10." He expects only a four per cent upgrade in emerging markets, which works out to 12 million smartphones.

In India, BlackBerry can capitalise on its large user base, but at the low end of the market, it will continue to offer devices which run on the old BB7 operating system. Contrast this with Nokia's strategy of introducing Windows phones priced between ₹10,000 and ₹36,000.

In the enterprise segment, where BlackBerry has long dominated, customers are increasingly open to other options. So while some, such as Standard Chartered Bank, have switched to the iPhone, others are exploring Windows Phone 8. Praveen Pai, Director at Symphony Teleca, says his company switched to Windows phones as they had a more intuitive interface, user-friendly tools, and better security features.

THE ENTERPRISE SEGMENT, WHERE BLACKBERRY DOMINATES, IS SEEING CUSTOMERS INCREASINGLY OPEN TO ALTERNATIVES

Dinesh Wadhawan, Chief Operating Officer of telecom tower company Viom Networks, says it is important to leverage cost efficacy with Android devices and not get stuck with closed platforms that cost more to achieve the same outcomes.

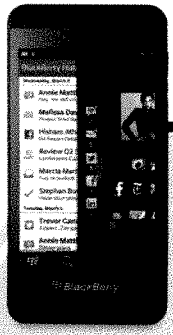
BlackBerry's Dutt says he believes his company is likely to get it right in the enterprise segment. "Security is a big reason to worry, as companies are moving into a mobile environment," he says. BlackBerry, he adds, is much more than the devices sold – servers and enterprise software are crucial.

Optimism about the new BB10 device is guarded. "We remain sceptical of Blackberry's ability to orchestrate a sustainable comeback, but we believe that a successful launch will increase the option value of credible positive outcomes like a stabilised niche positioning, the development of new business models, strategic partnerships or even an acquisition," writes Pierre Ferragu, Senior Analyst with Bernstein Research, an equity research firm.

Many experts say BlackBerry's best option is to hold on to the customer base it has. "BlackBerry has held on to its customer base in the business segment," says IDC's Restivo. "It will have to see its transition in this segment."

BlackBerry plans to launch the Z10 and Q10 now, and four more devices later. The company has also started a global programme for application developers, guaranteeing all those who are eligible a minimum of $10,000 a year. The BB10 app store started with 70,000 apps, and that number is growing fast. Apple and Android have more than 700,000 apps each, while Windows, a relative newcomer, has 125,000.

From Dutt's perspective, marketing is the key. Since he joined BlackBerry, he has increased the brand's footprint from 80 to 250 towns. He may be able to reach out to more customers by reorganising channel partners, and by introducing innovative campaigns and tie-ups with telecom carriers. But that's the most he can do, and it's not enough. He will have to find a way to revive BlackBerry's lost mojo – something Nokia is struggling with despite its financial and marketing might. ◆



3 PM

Away from my workstation, I open a page on the phone browser. No doubt this browser is much faster than in earlier models, with recently opened pages showing as thumbnails.

6 PM

To test the new BBM Video chat, I called a colleague who is also testing a Z10. It's like Apple's Facetime, but with screen-sharing. Even on the call, I could type on BlackBerry Messenger and check mail. Video and sound were great on Wi-Fi.

8 PM

If you like playing games on the phone, the Z10 won't disappoint. The bright screen, wide 4.2-inch touch display, dual-core processor and loud sound output made my tryst with Angry Birds Space an exhilarating experience.

7 AM

Next morning, I wake to find the battery still has some juice left, despite all the activity of the previous day.

– Nidhi Singal

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Expect the unexpected from the realty sector. With both financiers and customers in short supply, thanks to the two successive downturns of the last few years, the industry has been forced to adjust – and fast. Even the mightiest have faced up to reality: in August last year, for instance, DLF, India's largest realtor, sold 17.5 acres of prime land it owned in the heart of Mumbai, the country's costliest real estate market, to trim its debt.

PROPERTY DEVELOPERS LEARN NEW TRICKS TO TIDE OVER A CRISIS OF FUNDS

By SUMAN LAYAK, SHWETA PUNJ and G. SEETHARAMAN

BALANCING

ACT

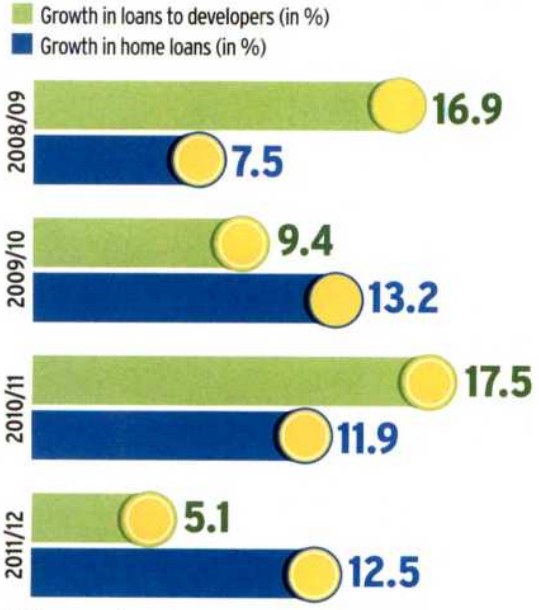
Pg94 Rising from the Rubble

Pg100 Gold from Silver

PHOTOGRAPH BY VIVAN MEHRA & SHEKHAR GHOSH

UPS AND DOWNS

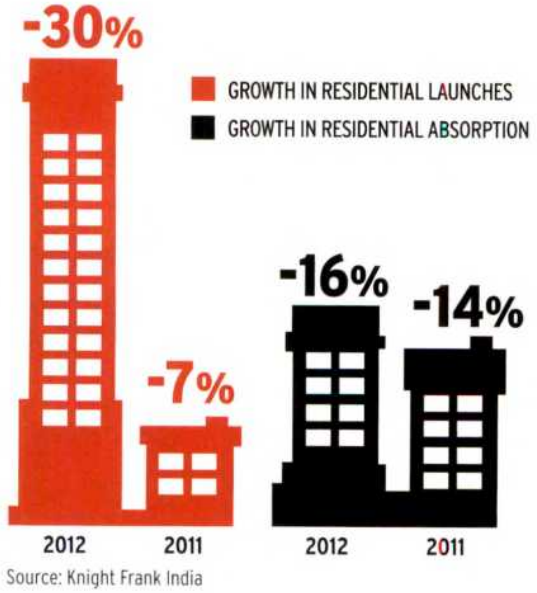
With the downturn, banks have grown wary of lending to both developers and home buyers. Growth in bank loans has oscillated sharply in the last few years



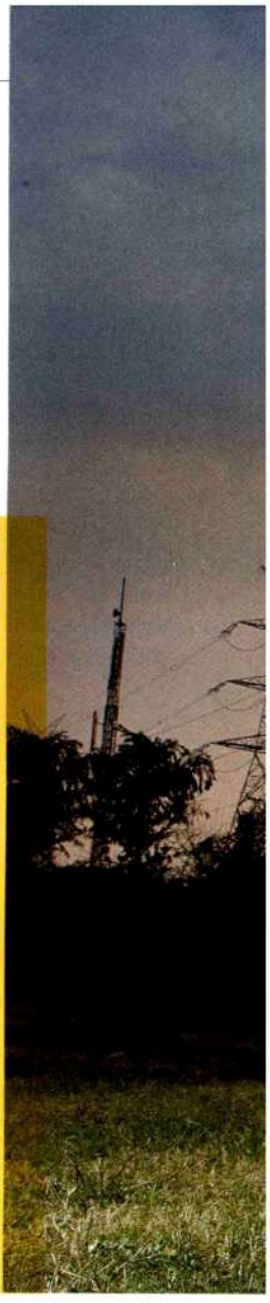
All figures are for the Dec-Nov period Source: RBI

GETTING REAL

Launches of new housing projects have been falling as builders come to terms with the tepid market. The sale of residences is also shrinking, but at a slower pace



Source: Knight Frank India

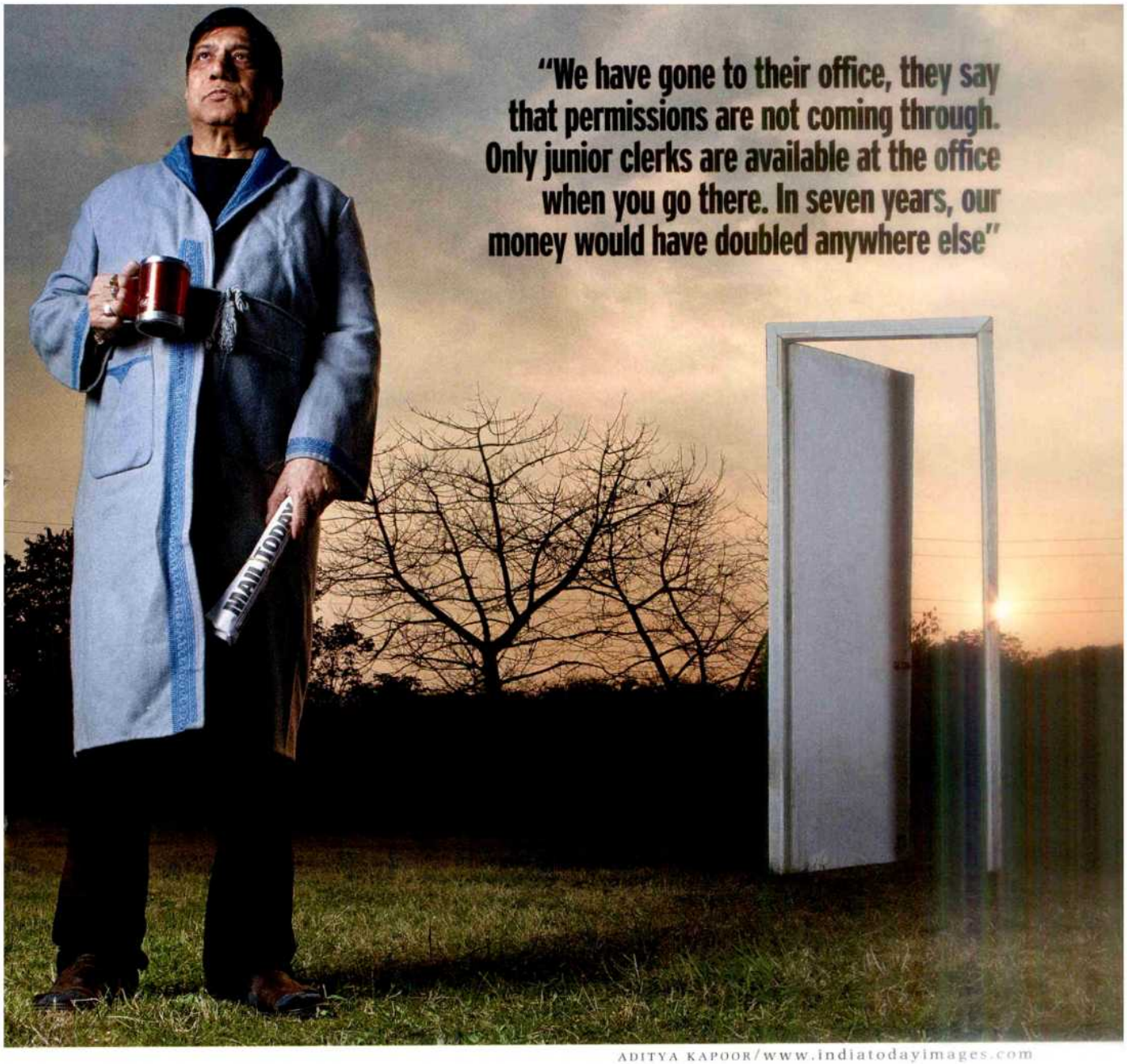


RAMESH BHANDULA

He booked two plots in Bhiwadi, on the Rajasthan-Haryana border, paying the builder, M-Tech Developers, booking amounts of ₹3 lakh for the first and ₹2 lakh for the second. He was promised them in six months. Nearly five years later he is still waiting, along with hundreds of others who paid similar amounts. Arvind Jadli, Marketing Executive with M-Tech, admitted Bhandula was right. "It is true. We still have to complete the land acquisition process. We are waiting for the entire acquisition to come through," he said.

When survival is at stake, keeping up appearances becomes secondary – the equally high profile Lodha Developers, for example, which incidentally bought the Mumbai land from DLF, has in recent years junked its carefully cultivated premium-projects-only image. Half its residential properties are now in the ₹30 lakh to ₹80 lakh 'mid-tier' range.

There was a rush of foreign direct investment into Indian real estate when the sector was first opened, but that is now drying up. Private equity (PE) players, foreign and domestic, have greatly reduced their exposure – their investments in real estate fell by 36 per cent in 2012 over 2011, as compared to a 19 per cent reduction in such funding in India as a whole. And those still backing realty projects, such as Motilal Oswal PE or IIFL Private Wealth, have started offering loans instead of acquiring equity.



ADITYA KAPOOR/www.indiatodayimages.com

charging interest of more than 20 per cent and seeking collateral often twice the size of the loan.

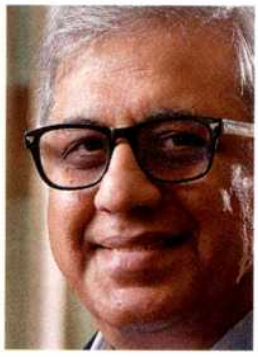
Finally, home buyers had better take care. In their bid to stay afloat, even reputed developers are now foisting one-sided agreements on customers in which the developers hold all the cards.

The real estate boom had begun tapering off even before the first downturn struck in September 2008 with the collapse of global financial behemoth Lehman Brothers. In Mumbai, the average rent paid had already fallen from a high of around ₹260 per sq. ft. per month in 2007 to ₹200 in 2008. After the downturn it dropped even further to ₹160 in 2009, thus declining 38.5 per cent in two years. In Delhi, the drop during the same period was 31.4 per cent. Housing prices too fell around 25 per cent in both cities in these two years. Since then commercial rents in Mumbai have fallen by a further 20 per cent, though in Delhi they have stayed constant. "In 2006/07, top developers were very bullish," says Navin Raheja, Chairman and Managing Director of Raheja Developers. "They miscalculated and invested most of their money in land and non-core assets. It was a time when every developer had started aspiring to be No.1."

The outcome? Of the top ten listed developers by revenues, seven had negative cash flows from operating activities in March 2008. Though most of them somehow rallied and managed to improve cash flows by the following March, they found interest expenses had soared. This, as Raheja noted, was due to their frenetic land buying during the boom years, even turning to non banking finance companies (NBFCs) for funds, which came at steep rates of interest, when banks showed some

reluctance to go along with them. With few takers for properties post 2008, they were in trouble. Interest cost as a percentage of total income for eight of the top 10 developers rose almost four times within a year to 16 per cent by March 2009. While the benchmark Sensex on the Bombay Stock Exchange (BSE) shed 60 per cent between January 2008 and March 2009, the realty index tanked 90 per cent.

It was doom and gloom all around. Some developers went in for qualified institutional placements to raise money. Some tried to line up equity issues, but very few of their initial public offerings (IPOs) went through. Meanwhile, banks had grown even more wary of lending to this sector, and customers preferred to wait and watch.



"We focus on who is responsible, instead of on what went wrong"

FIRDOSE VANDREVALA

CMD, Hirco Developments

Yet against the odds there has been a distinct improvement in realty companies' fortunes since then – though a turnaround is still far away. By March 2012, all the top 10 developers had positive net cash flows from operating activities. In the past year, the BSE's realty index has risen 2.4 per cent against the Sensex's seven per cent.

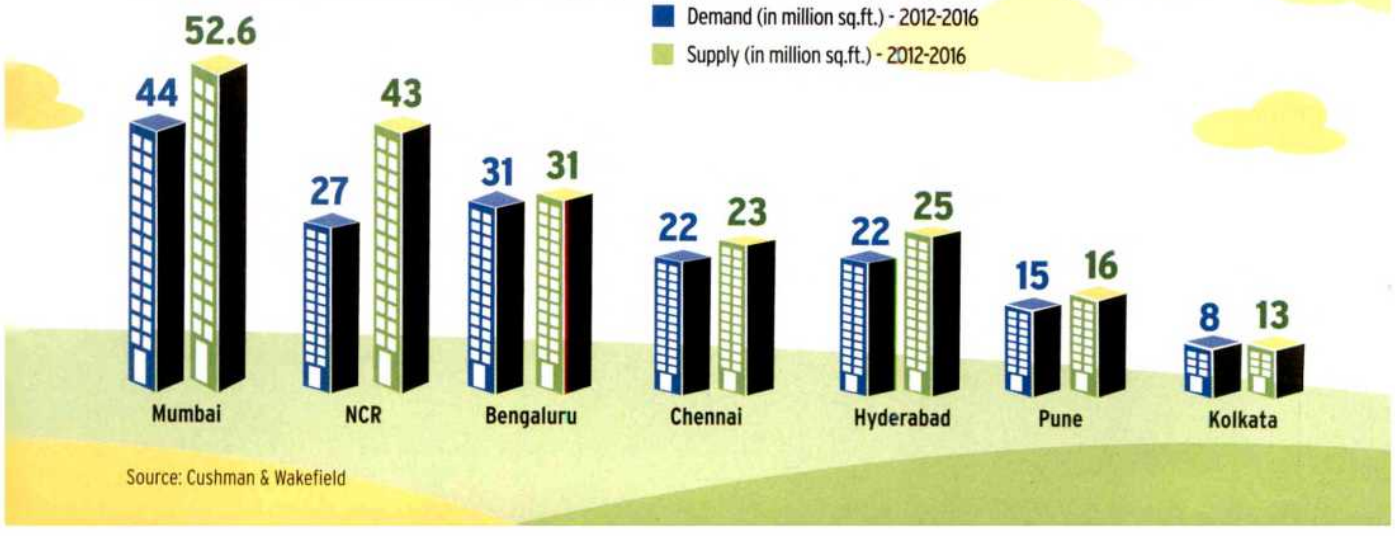
Tweaking Business Models

How did it happen? Realtors learnt to innovate. Different business models are now being used. One of the most popular is that of setting up joint ventures with land owners, since buying too much land, developers have learnt the hard way, can hurt. There was a time when realty companies flaunted their 'land banks' – the bigger, the better – but no more. Even a veteran realtor such as the Mumbai-based Oberoi Realty, while venturing into the National Capital Region, has been looking for a local developer or landowner, so it only has to invest in the building of the project. Or take Nitesh Estate, a newcomer in the field, but one which has already done a successful IPO – it operates without any land assets. "This model allows the realtor more flexibility as the developer is not paying interest on loans taken to buy the land," says Pranay Vakil, Chairman, Praron Consultancy, and the former founder-chairman of property consultant Knight Frank India. "He can go about a project building by building, selling one fully before starting on the next. It also gives him more holding power in a bad economy." He says that at least half the projects under construction now follow this model.

Banks may still be reluctant to lend to realtors, but new ways of raising funds are being found. Hirco Plc, for instance, is using overseas funds in Indian projects in an ingenious manner. The company, launched by Priya Hiranandani-Vandrevala, is listed on the Alternative Investments Market (AIM) of the London Stock Exchange. Its projects in India, however, are built and marketed by a different company called Hirco Developments, led by Firdose Vandrevala, uncle of Priya's husband Cyrus. "Our model is to set up a special purpose vehicle (SPV), with Hirco Plc investing in it and getting preference shares," says Vandrevala, formerly with the Tatas and also an ex-chairman of Motorola India. "The Hiranandani family brings in the land and is allocated equity shares in return. Hirco Developments builds the

PROBLEM OF PLENTY

Even commercial properties are going abegging in most Indian cities, with supply outstripping demand



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The tax benefits are as per the current Income Tax laws & rules and any other law for the time being in force. Investors are advised to consult their tax advisors before investing in the scheme. Investment in Reliance Tax Saver (ELSS) Fund is subject to lock in period of 3 years from the date of allotment of units.

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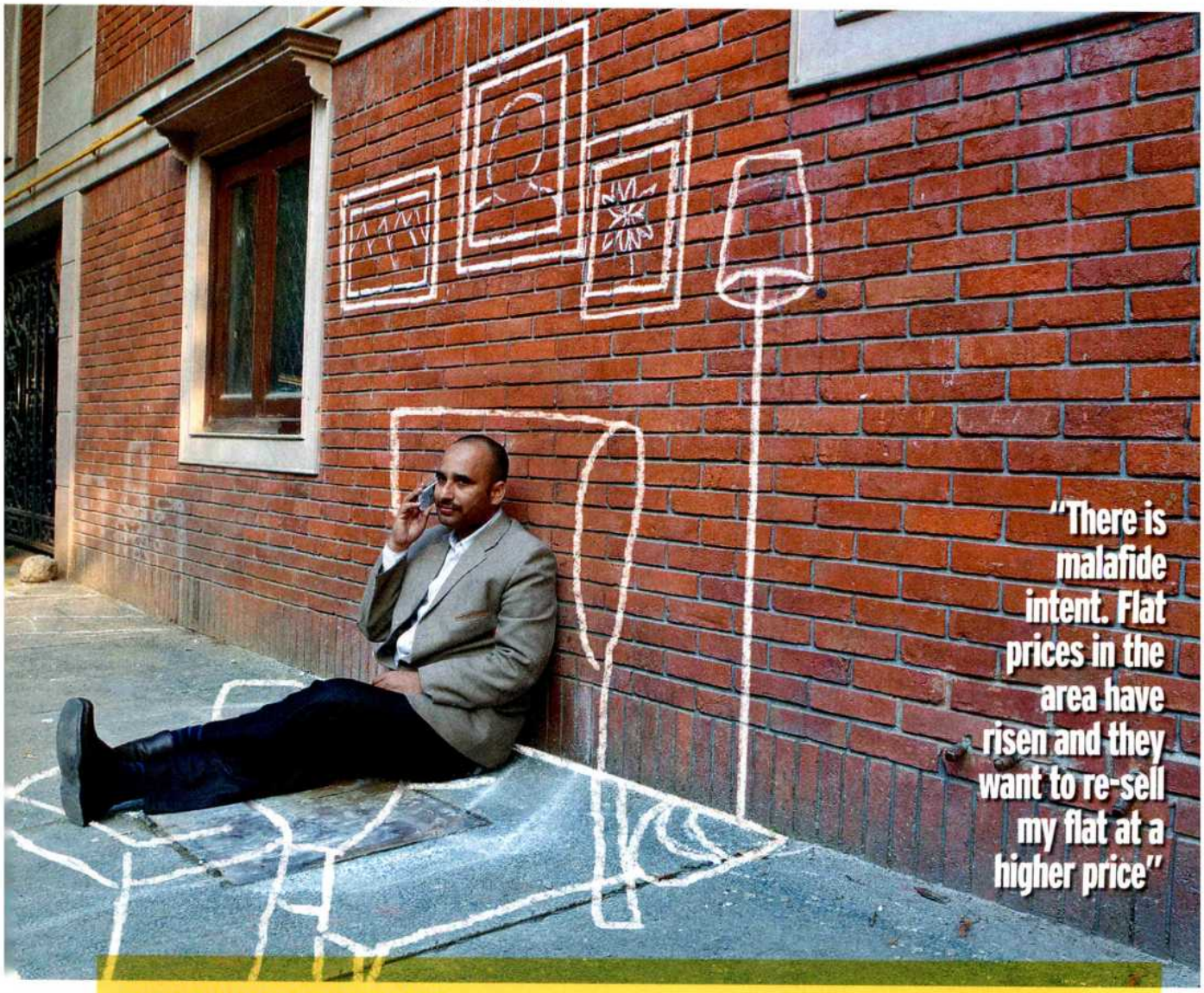


BIPIN KUMAR MISHRA

He booked a flat in Supertech-Eco Village II in Noida Extension in the National Capital Region in May 2010, paying a booking amount of ₹3 lakh. He was promised delivery in July 2012. Within months, construction in the area was put on hold, following an the order of the Allahabad High Court. He had opted for a construction-linked plan, but though there was no construction activity, the builder kept sending demand letters for payments. Finally, he got a letter saying his allotment could be cancelled because the booking amount he had paid was short by ₹1,966. *Business Today*'s queries to Supertech went unanswered.

products and markets them for a fee." It is currently executing one project at Panvel on Mumbai's outskirts and another in Chennai.

The equity market, on a bullish run, is also opening up for developers. Bangalore-based realtor Prestige Estates, for instance, raised ₹365 crore through an institutional share placement in January. PE funds are down, but they have not dried up; they have, however, equipped themselves with safeguards. A Mumbai-based wealth management fund, for instance, which does not want to be named, has committed to buy 100 flats in Thane, on Mumbai's outskirts, from a developer on unconventional terms. While the market rate for flats in the area is around ₹5,000 per sq. ft., the fund, by buying in bulk before the flats are ready, is getting them at ₹3,750 per sq. ft. The fund in turn has pre-sold some of the flats

to its investors at ₹4,250 per sq. ft., the profit further reducing its own cost of acquisition. But the money to pay for the flats has been put in an escrow account to be released only in tranches as the construction progresses. The developer, provided he keeps going, is thus assured of funds, while the PE fund too stands to gain – it will sell the flats at market rates once they are ready. "The financing situation has improved significantly for developers from what it was a few years back," says Keki Mistry, Vice Chairman and CEO, Housing Development Finance Corporation (HDFC).

Yet all such funding falls flat if properties do not find customers. Around 82,000 housing units remained unsold in 2010, rising by another 12,000 in 2011, according to a report released last December by Knight Frank India. Thus developers have been devising all kinds of schemes to woo them – one of the most popular being the "20:80 payment model" in which buyers pay just 20 per cent of the value of an apartment as booking amount, and nothing more until it is handed over to them to live in. Mumbai-based realtor Indiabulls Real Estate has developed the model further - it seeks a mere 15 per cent as advance while booking a flat and another five per cent while giving possession – thereafter the housing loan, which too Indiabulls arranges if needed from one of its group companies, kicks in, and the buyer has only to pay equated monthly instalments (EMIs).

While selling some of its Mumbai flats, Lodha Developers tried another tactic. It offered them in a price band instead of at a fixed price, in much the way an initial public offering (IPO) does, and decided the final price only after receiving buyer responses. Much like a successful IPO, it drew twice as many applicants as the flats it had to sell. "It was a nice way of grabbing some of the demand," says Vakil of Praron. Flat allotees too were later chosen through an automated software programme, the way IPOs do.

Again, developers have been focusing more on the relatively affordable homes of late, the trend best reflected by Lodha Developers' shift of emphasis. "Most developers are now focusing on the broad segment of flats costing ₹20 lakh to ₹1 crore," says Pranab Datta, Chairman, Knight Frank India."

There is also a growing bias towards residential projects rather than commercial. (Three quarters of the real estate market in India, in any case, has always been residential. Vakil puts the residential demand at seven times the commercial.) "We want to primarily do residential projects because it has instant cash flows," says Vikas Oberoi, Chairman and Managing Director of Oberoi Realty. "Commercial ones have a long gestation period and are cash intensive." J. C. Sharma, Vice Chairman and Managing Director of Bangalore-based Sobha Developers echoes his view. "With residential projects, developers start getting cash flows from the day they are launched," he says. "With commercial properties returns come in only after completion." The Lodha Group has even converted two of its projects in the Mumbai Metropolitan Region from commercial to residential.

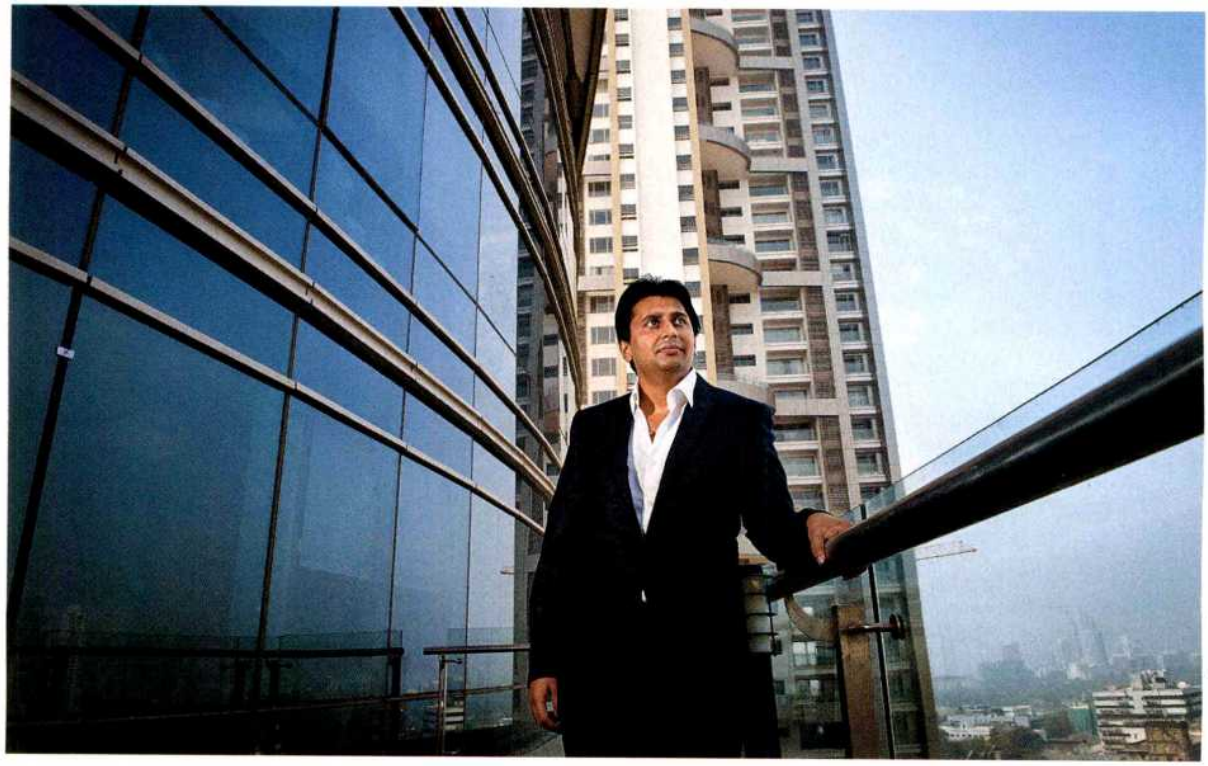
How well are such efforts working? It is early days yet for a clear answer. However, in 2012, the gap between new launches and sales dropped sharply to 32,000, says the Knight Frank India report. Simultaneously, banks have become a little more accomodating towards home loan seekers. While growth in home loans fell from 13.2 per cent in the December 2009 to December 2010 period, to 11.9 per cent for the corresponding period in 2010/11,

NOSEDIVE

Profits of leading developers have fallen steeply in the last four years

Profit after tax	MARCH 2008	Change (%)	MARCH 2012
Orbit Corporation	166.6	-98.8	1.9
Indiabulls Real Estate	467.7	-96.9	14.5
Ajmera Realty & Infra India	245.5	-94.1	14.5
Parsvnath Developers	408.7	-93.8	25.5
Omaxe	398.8	-84.2	62.9
Ansal Properties & Infrastructure	161.6	-78.6	34.6
Puravankara Projects	211	-77.5	47.4

Figures in ₹ crore, standalone financial
Source: Prowess



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it recovered to 12.5 per cent for the corresponding period in 2011/12. Home loan defaults have also been declining since 2010, down from almost four per cent in March 2010 to less than three per cent in March 2012.

But fewer residential project are being launched now. Such launches fell 30 per cent in 2012 compared with the year before, while the fall in 2011 had been just seven per cent over 2010. "Less than 10 per cent of the launches between 2007 and 2013 in Mumbai have taken off," says Abhinandan Lodha, Deputy Managing Director, Lodha Group. But this has been a blessing in disguise – developers' inventories and interest costs have come down.

"Less than 10% of the launches between 2007 and 2013 in Mumbai have taken off"

ABHINANDAN LODHA

Deputy MD, Lodha Group

Dubious Methods

What is regrettable, however, is that in their drive to stay afloat at all costs, some developers have not been averse to mistreating customers. Take, for instance, the fate of Bipin Kumar Mishra, a 38-year-old chartered accountant who booked a flat in a large project promoted by leading developer Supertech Group Ltd in Noida Extension, part of the National Capital Region, in May 2010. He paid an initial booking amount of ₹3 lakh, but work on the project soon stalled following land acquisition problems, which culminated in a stay order from the Allahabad High Court. Though he had opted for a construction linked plan and was thus not required to make any more immediate payments since construction had stopped, Supertech continued to send him notices seeking payments. And 15 months after booking, he got a letter saying his allotment would be cancelled, because his booking amount was short by a paltry ₹1,966. He alleges he was never informed that the booking amount had been increased. "There is malafide intent," he says. "Flat prices in the area have risen and they want to re-sell at a higher price." Repeated calls and emails from *Business Today* to Supertech went unanswered.

Mishra is not the only one. The Competition Commission of India (CCI) has been flooded with similar complaints – 75 of the 300 complaints it has taken up since it began functioning in May 2009 have been against realtors. They include a large group of home buyers from the same Noida Extension area who in January this year, echoing Mishra, charged that builders there were harassing them with demands for extra payments and threatening to cancel their allotments. "We are getting a lot of information on the practices of real estate companies," says Ashok Chawla, Chairperson, CCI. "Builder-buyer agreements are often one-sided and arbitrary."

Most complaints are still being investigated, but at

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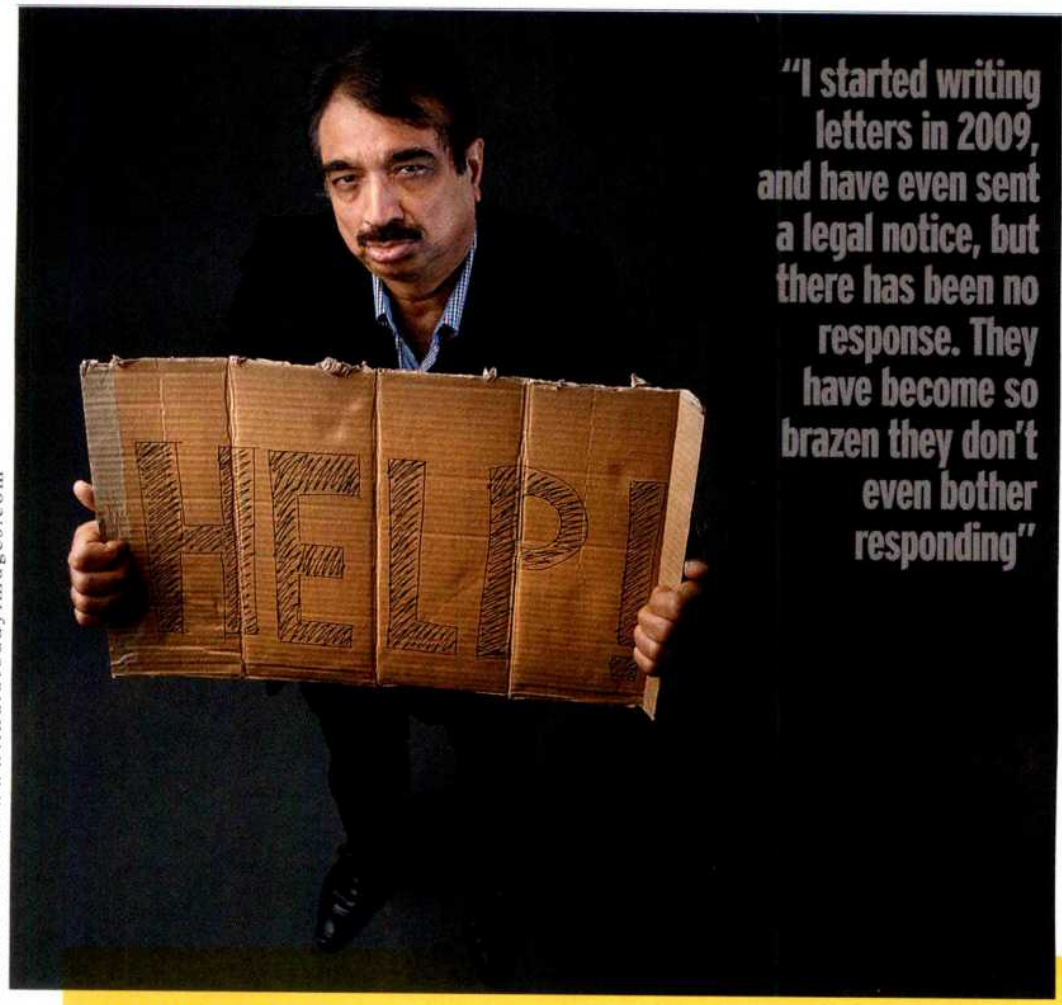

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ANAND GUPTA

He booked 40,000 sq ft of store space in the proposed mall called Omaxe Connaught Place in Greater Noida in the National Capital Region in 2007. He entered into a nine year lease with Omaxe, paying ₹37 lakh. Six years later, the mall is still far from complete. His letters to Omaxe get no response. But *Business Today*'s queries did. Rohtas Goel, Omaxe Managing Director says: "We will hand over the mall in six months. The delay is related to the time it took to get the occupation certificate."

least one builder has been indicted by the CCI – ironically, the biggest of them all, DLF. Customers at one of the DLF's projects, called Park Place – in Gurgaon, on Delhi's outskirts – alleged the company changed the original plan of the project after having sold them their flats, and added 10 more floors across buildings without informing them. In an order passed on January 10 this year, the CCI upheld the complaints and noted that DLF appeared to have broken other laws as well during the construction. DLF did not respond to a detailed questionnaire and repeated phone calls from *Business Today*.

The Future

Are more structural tweaks possible to make it easier for the real estate sector to get funds? Some industry experts feel giving it industry status – which it is still denied – would help. Others maintain realty players themselves need to display greater transparency and adopt higher governance standards. They note that those which do so, are able to both get finance and sell their products at a premium. "Corporate governance is not very high in this industry," says Anuj Puri, Country Head, Jones Lang LaSalle. "Realty companies belonging to reputed groups such as the Tatas or Godrej have been able to attract private equity." Legislation in the form of a Bill forcing realty companies to follow norms could also help.

Vandrevala of Hirco believes real estate deserves not only industry, but also infrastructure status, which would make it one of the core sectors of the economy. He notes that while home loans cost around 10 per cent, loans to developers, even from the banks, come for 16 per cent or more, while NBFCs and PE funds charge higher than 20 per cent. "You are boosting demand and restricting supply," he says. "When a project is delayed the focus is al-

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HOW TO AVOID REALTY TRAPS

By POOJA CHANDRA

Before buying any property you should:

Check the title of the property. Find out who owned it for at least the last 14 years. Ensure all previous mutations are complete.

Ensure it is free of any sort of litigation or mortgage. Physically verify the original chain of documents.

Verify it has all the statutory approvals - for instance, for its building plan and certified map - as well as environment clearances, change of land use approvals, completion certificate, etc.

Ensure all previous dues such as electricity bills, property tax, water bills, etc, have been paid in full.

Satisfy yourself about construction technicalities of the property - the plumbing, the electrical connections, the power supply, etc.

While signing the agreement of sale or contract, ensure the schedule of payments is realistic and the date of registration and date of possession are clearly mentioned.

Check out the credibility of the builder by verifying his past performance.

If buying an apartment, ensure there no ambiguity about the covered area, the super built-up area and the total built up area.

Read the contract agreement carefully and insist on deleting clauses you are uncomfortable with. Pay special attention to the clauses pertaining to penalties, delays in construction, delays in case of late payment of EMIs, refund in case of delays, etc.

Maintenance cost is a huge recurring expense for the buyer. Find out the amount beforehand.

Be wary of schemes such as assured returns, no payment of EMI till possession, sharing of EMI, etc.

Do not be taken in by the glossy brochures many builders publish. Ensure the amenities mentioned in the brochure are included in the contract.

Ensure the stamp duty computed at the time of registering the sale deed is correct.

The author is Partner, PCA Law Firm

SHEKHAR GHOSH

"2006/07 was a time when every developer had started aspiring to be No.1"

NAVIN RAHEJA

CMD, Raheja Developers

ways on finding out who is responsible, instead of asking what went wrong. When a car's brakes fail and someone dies, should you punish the driver or should you first find out why the brakes failed and then maybe punish the carmaker?"

But realty companies too need to learn to live within their means and not over-leverage. At an analyst meet in February, DLF announced it intended to slash its debt from more than ₹21,000 crore to around ₹11,000 crore. "Things are getting better for the stronger developers and worse for the weaker ones," says V. Hari Krishna, Director, Kotak Realty Fund. "Banks are also going the extra mile to lend to the stronger companies."

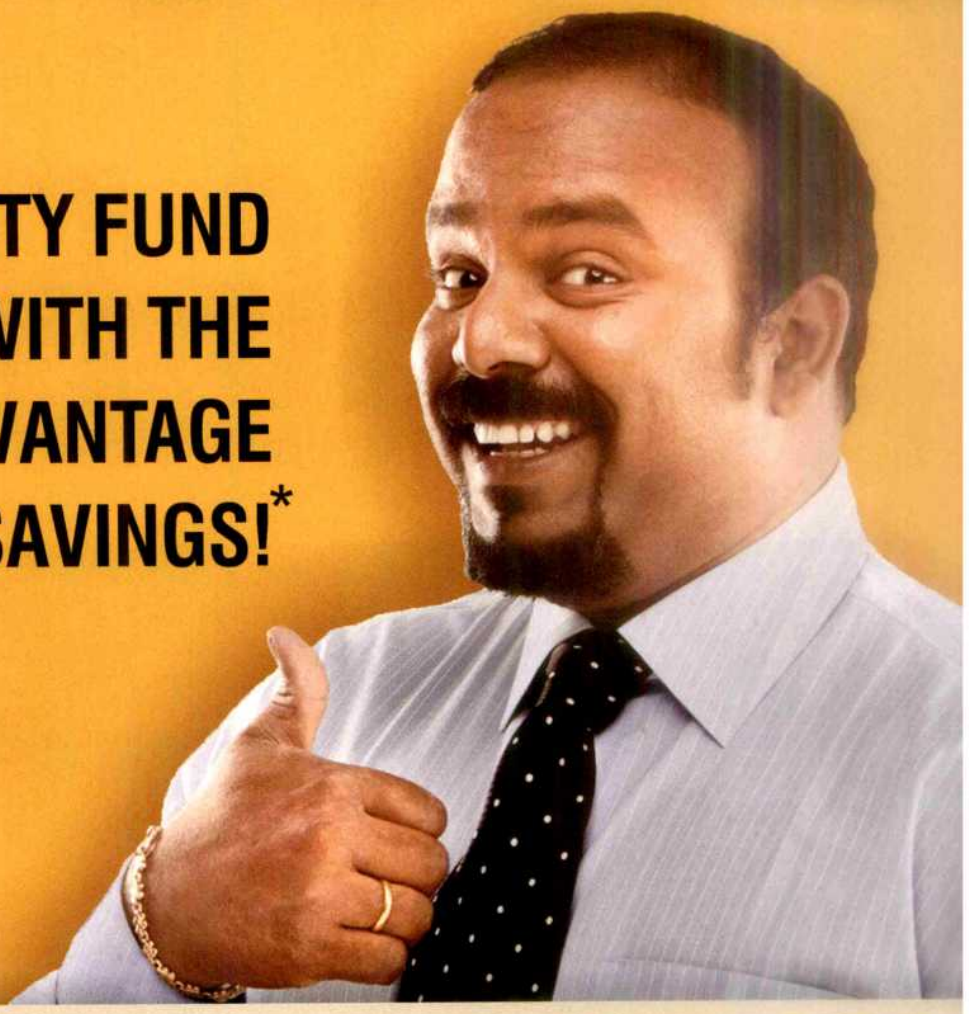
Praron's Vakil stresses the need for funds focused solely on real estate which can buy up and develop both offices and homes, and rent them out. In countries like the United States, they have made a big difference. "A company like Post Properties in the US owns 500 complexes of 300 to 500 flats each. But to succeed in India such funds should be able to evict tenants easily. Residential yields also need to improve and rental housing should have a separate floor space index," he says.

For the time being, it is only with prudent and innovative strategies that this sector can hope to keep going. ◆

ADDITIONAL REPORTING BY K. R. BALASUBRAMANYAM

Send your comments to editor.bt@intoday.com

THE EQUITY FUND WITH THE DOOSRA ADVANTAGE OF TAX SAVINGS!*



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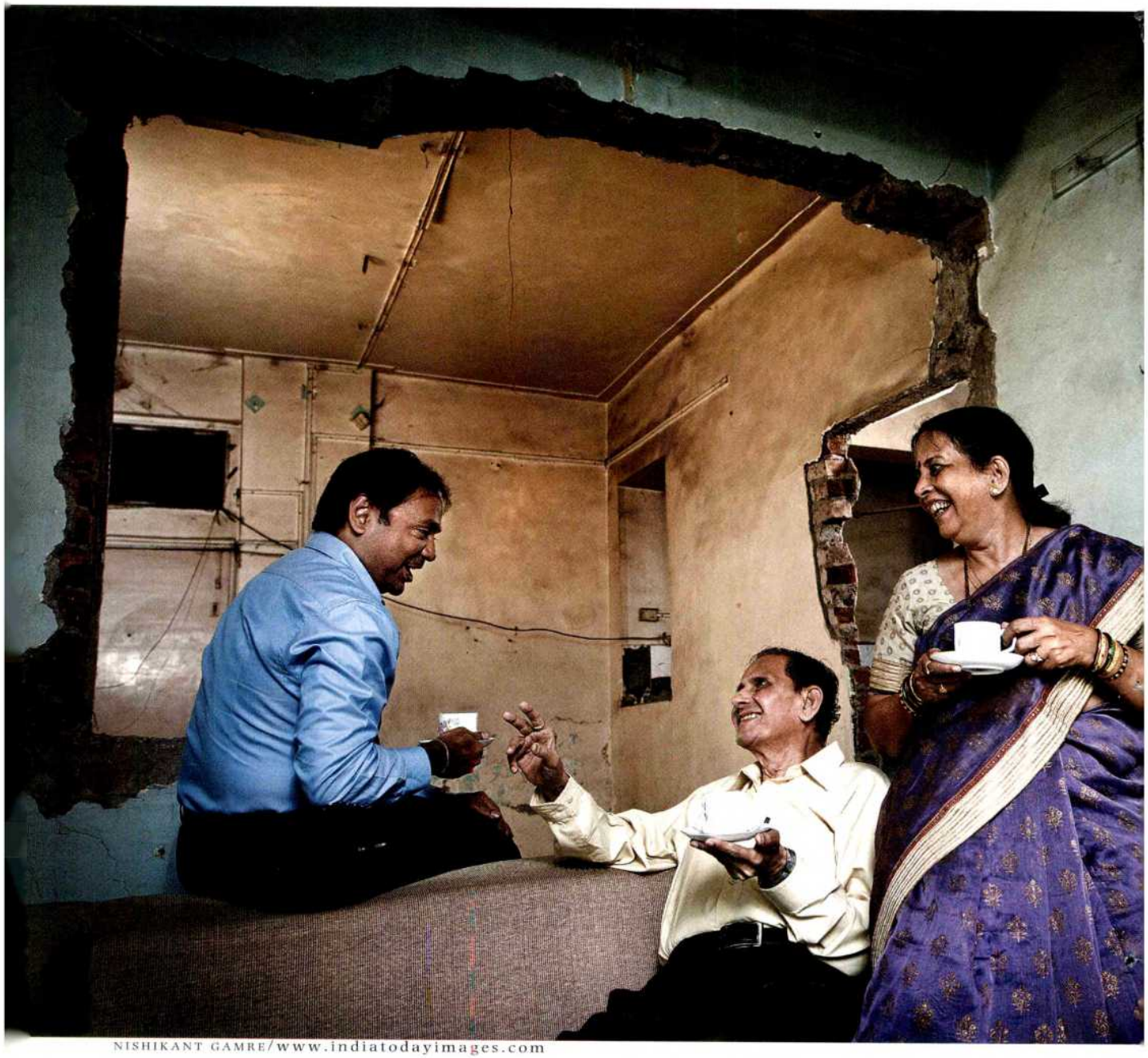
RISING FROM

REDEVELOPMENT PROJECTS ARE LURING BIG BUILDERS IN LAND-STARVED MUMBA

By SARIKA MALHOTRA



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THE RUBBLE

A NEW DREAM HOUSE: Rustomjee Director Chandresh Mehta (left) with Vishwas and Nina Patil at their residence in Borivali, Mumbai. Rustomjee is redeveloping the apartment block, built in 1964, where the Patils and 145 other families live

On the evening of July 26, 2005, when torrential rains poured three feet of water on Mumbai, bringing the city to a standstill, an elderly couple in suburban Bandra struggled to scoop out water from their ground-floor flat. The flat was flooded with water, recalls Shashi Bhushan Bajpai, 82, today sitting with his 80-year-old wife, Saroj. After the water receded, the couple had to repair all rooms, fix electrical wiring and even change the furniture. "In short, we had to rebuild our home," says Bajpai. "But there was a bigger fear looming – what if it happens again?"

The fear was not unfounded. Built in the 1960s, the housing complex where the Bajpais and 79 other families lived was in a dilapidated condition. The floods made it worse. It was then that the residents decided to redevelop the complex. Their representatives met with officials of the Maharashtra Housing Area Development Authority to understand the process of redevelopment. They invited bids from builders to reconstruct the flats. Three builders were short-listed for negotiations. Finally, Happy Homes was selected for the project in July 2008. The owners vacated their flats the following month. By early 2011, they were back in the complex now called The Jade Gardens.

The Bandra East complex by Happy Homes is one of numerous redevelopment projects that are changing Mumbai's landscape. In a highly fragmented market, Rohan Lifescapes, Orbit Corporation, RNA Corp, Kalpataru Group, Rustomjee Group, SD Corp, and Wadhwa Group are the main companies focusing on projects that involve demolishing buildings constructed as early as 1940s to build high-rise apartments.

Redevelopment work in the city first generated interest in 1991 when the Maharashtra government framed regulations for the segment. But there were few projects for the first few years as house owners lacked clarity about the rules and as developers felt there was little incentive to undertake such work. The segment attracted more interest from developers after 1999 when they were allowed to construct additional flats in a given area and sell them at market prices. While only small developers took up such projects in the beginning, the market has gained traction over the past couple of years as big builders started making such projects an integral part of their portfolio.

The House of Hiranandani announced its first redevelopment project, in Chembur, in January this year. The Vijay Raheja Group has finalised three projects since July 2012 and has five projects in the pipeline. Godrej Properties entered the segment in 2012 with four projects. It will do a mix of direct deals with housing societies and also act as a development manager for redevelopment projects. "Ours is a very asset-light model. We prefer joint ventures and partner with land owners," says CEO and MD Pirojsha Godrej. "Redevelopment will be a big part of our overall strategy in Mumbai."

Oberoi Realty is also looking to enter the market. "We believe that we will do well," says Chairman Vikas Oberoi. "Redevelopment is about a good brand name. People will trust a good developer to come and build their homes."

4.5 lakh
SHORTAGE IN HOUSING UNITS IN MUMBAI AND ITS SATELLITE TOWNS SUCH AS THANE

19,000
NUMBER OF BUILDINGS IN SOUTH AND CENTRAL MUMBAI THAT NEED TO BE REBUILT

5,000
NUMBER OF BUILDINGS IN MUMBAI'S SUBURBS THAT NEED TO BE REBUILT

Figures are industry estimates

Why are big developers showing interest in the segment? Initially, redevelopment projects involved single buildings or small housing societies. Since this required taking up many projects to achieve economies of scale, big players were not interested. But a lack of land, rising property prices, and the success of smaller builders has prompted big developers to look at the segment seriously.

"Redevelopment enables access to land in prime markets without huge upfront investment," says Anubhav Aggarwal, Managing Director of RNA Corp, which has executed 75 projects so far. The developers' main expense when they start a project is compensation to homeowners for relocating during the construction period. This amount is sometimes as high as ₹1 crore per family, depending on the size of the apartment, locality, and time taken for construction. The sale of additional flats at market prices helps the builders earn a profit on their investment. Happy Homes, for instance, was allowed to sell 80 flats at market prices in its Jade Gardens project.

"Redevelopment will be a big part of our overall strategy in Mumbai"

PIROJSHA GODREJ
Managing Director and CEO, Godrej Properties

Oberoi says redevelopment is the only option to boost supply and control prices in a city facing a severe housing shortage. According to industry estimates, the Mumbai Metropolitan Region, which also includes satellite towns such as Thane, needs between 400,000 and 450,000 more residential units. Industry executives say this shortage can be partly met if the estimated 19,000 dilapidated buildings in southern and central Mumbai and 5,000 buildings in the suburbs are rebuilt with additional flats.

Sanjay Dutt, Executive Managing Director for South Asia at real estate consultancy Cushman & Wakefield, says the total area in the island city of Mumbai – from Colaba to Mahim – is about 7,000 acres but a large part cannot be developed because of factors such as restrictive coastal area regulations. Port authorities, textile mills and slums such as Dharavi together control about 2,500 acres, while the remaining land is owned privately and by government bodies. Redevelopment is important as new land within city limits is not available, he says.

Some builders who started with redevelopment projects are now taking up greenfield projects. Srinivasan Gopalan, Chief Financial Officer of the Wadhwa Group, says redevelopment projects generate cash flows by way of sales in a short span. This allows companies to pump in funds into greenfield projects. The company says it has undertaken about 900 redevelopment projects so far. "We will maintain 10 to 20 per cent of our portfolio in redevelopment," says Gopalan. "The portfolio has to have a fine balance of cash generating and revenue generating products. Real growth in the top and bottom line will come from greenfield projects."

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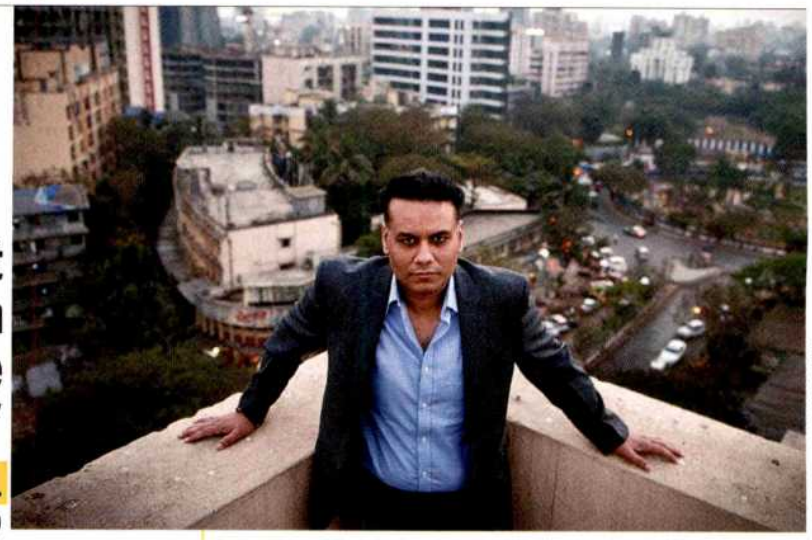

NISHIKANT GAMRE

"Redevelopment enables access to land in prime markets without huge upfront investment"

ANUBHAV AGGARWAL
Managing Director, RNA Corp

Like the real estate industry in general, there are problems aplenty in this segment as well. There are numerous instances of homeowners going to court against builders over issues ranging from missed deadlines to poor construction quality. A lack of clarity in government regulations has made matters even more difficult. That has deterred some prominent developers such as Tata Housing from entering the market.

"It looks very rosy from the outside but the pitfalls are many," says Pujit Aggarwal, Managing Director and CEO of Orbit Corp. He says the company, in its initial projects, gave an option to occupants to exit after taking compensation or stay on in the reconstructed flats. But the difficulties in negotiating with owners prompted it to change its business model. Orbit now prefers to acquire properties from owners, he says.

RNA's Aggarwal explains the problems builders face with an example. The company was executing a project in Subash Nagar locality near Chembur. The project comprised 55 buildings spread over 40 acres. Aggarwal says the company had to negotiate with housing societies of each building and get consent of more than 70 per cent tenants in each building to qualify. Dinesh J. Kuwadia, the founder chairman of Happy Homes, agrees. "Convincing homeowners is a difficult task as it's about their homes and what they want them to be."

Chandresh Mehta, Director at Rustomjee, says owners are increasingly bargaining for higher built-up area in new flats and more facilities in their housing complex from developers. This is leading to some companies staying away from the market. One of them is Omkar Realtors, which focuses on slum rehabilitation projects where the new flats the dwellers get are of the same size. "In society redevelopment projects, owners can be tempted with what more they can get from their piece of land," says Mehta.

Despite the problems, the redevelopment market is growing and attracting more players. It is also generating interest among private-equity firms (see *PE's Playground*). Another evidence of the market maturing is the entry of several project management consultants since 2009 to advise homeowners. Dhargalkar Technoesis, Nandapurkar & Associates, Dilip Sanghvi Consultants, and S.P. Consulting Engineers are some leading names in the field.

Will the entry of big players lead to consolidation? No, says Lalit Kumar Jain, Chairman and Managing Director of Kumar Urban Development. The company has undertaken 50 redevelopment projects since entering the market in 2005. "Redevelopment cannot be a mass activity and each developer will have limitations," says Jain. "This business cannot have market leadership. It will remain fragmented." ◆

PE'S PLAYGROUND

Indiareit Fund Advisors, backed by Piramal Group Chairman Ajay Piramal, and ASK Property Investment are among the private-equity (PE) firms investing in redevelopment projects. Kotak Realty Fund is also looking at the segment, says CEO S. Sriniwasan. Indiareit Fund invested in a Versova project with developer Paranjape Schemes in 2011. In January this year, Indiareit raised ₹400 crore to invest in redevelopment projects, says Managing Partner Khushru Jijina. In April 2012, ASK Property picked up a 49 per cent stake in a Chembur project of Godrej Properties. The project's total estimated cost is ₹700 crore. ASK has invested ₹100 crore in the project. It plans to raise its investment in redevelopment projects to ₹500 crore, says CEO Amit Bhagat.

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GOLD FROM SILVER

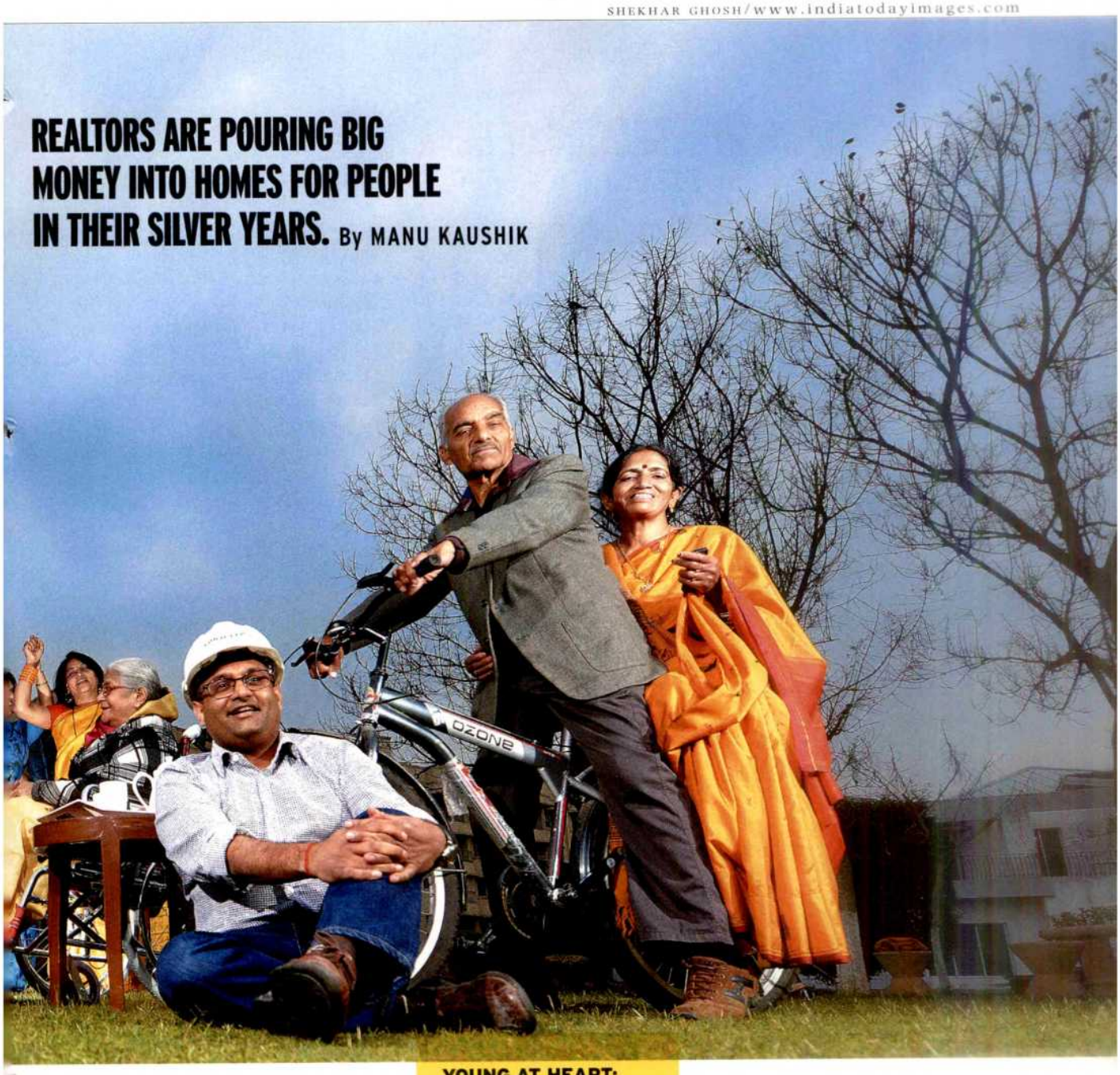
Vasant Kumar Nair bought a retirement home in Rajasthan about seven years ago, but initially was not entirely convinced he could live there after he retired. The housing complex in Bhiwadi had just a few families living there and the town was not completely developed. But after Nair's children grew up and moved out, he and his wife found themselves living alone in an independent house in Gurgaon on the outskirts of Delhi. "We were concerned about our safety and it was becoming increasingly difficult to maintain our sizeable property," says Nair, who was the head of human resources at a private firm until he retired in 2009.

Nair shared his trepidation with his retirement home's builders, Ashiana Housing, who offered him a trial apartment. He and his wife stayed in the trial apartment occasionally over two years before they eventually took the plunge. They moved bag and baggage to Ashiana Utsav in 2012. "A community of like-minded people, a secure environment and manageable living expenses finally changed our mind," says Nair.

Retirement homes have always been a popular concept in the West. But they were relatively slow to take off in India where for the longest time they were associated with the abandonment of older people. Not any longer. Better life expectancy and financial independence have spawned a new breed of senior citizens such as the Nairs who are happy to live in retirement homes instead of dealing with the isolation and hassles of independent

SHEKHAR GHOSH/www.indiatodayimages.com

REALTORS ARE POURING BIG MONEY INTO HOMES FOR PEOPLE IN THEIR SILVER YEARS. By MANU KAUSHIK



YOUNG AT HEART: Ashiana Retirement home complex in Bhiwadi; Joint managing director ANKUR GUPTA (in helmet, left), and Managing director Vishal gupta (in helmet, right)

homes. With attitudes changing, many real estate developers including Ashiana Housing, Paranjpe Schemes, Shriram Properties and Covai Property Centre are pouring big money into retirement home complexes. Several non-real estate companies such as Max India and LIC Housing Finance have also entered the business of homes for seniors. While Max is yet to launch its project, LIC Housing has opened two senior living complexes in Bangalore and Bhubaneswar.

Real estate consultancy Jones Lang LaSalle India (JLL India) estimates India has about 32 retirement home complexes and another 30 either under construction or in the pipeline. The complexes have mushroomed near big cities such as Delhi and Chennai, so seniors can remain connected with family in the city, or in small towns such as Coimbatore and Kodaikanal, which are away from the hustle and bustle of the big city but still have the necessary infrastructure. They consist of about 50 to 200 apartments or villas each, and can accommodate 100 to 400 people. JLL India pegs demand for senior housing units at 300,000, which is way short of the number of available units.

According to Business Monitor International, the size of the realty sector stood at $66.8 billion in 2011. There

are no official figures on the size of the retirement homes market, but industry experts estimate it is less than five per cent of the total real estate business. But realtors see big potential in the sector because of India's increasing life expectancy: JLL India expects the number of seniors to grow to 240 million in 2050 from 98 million today. "Some of the bigger developers are testing the waters. As the concept grows, there will be more demand and hence more developers would get interested," says B. Sridhar, National Director (Social Infrastructure Practice), JLL India.

Builders say retirement home complexes are different from ordinary residential projects. The gated communities have individual units tailored to the needs of seniors, and include common facilities such as dining halls, television lounges and libraries. The homes are equipped with special senior-friendly features such as grab-bars in bathrooms and corridors, anti-skid flooring and lower shelves. Covai Property Centre's senior project in Coimbatore has elevators big enough to accommodate wheel-chairs. "A retirement home is a different product altogether," says Ankur Gupta, Joint Managing Director of Delhi-based Ashiana Housing.

It was a bit of a struggle to sell the concept of retirement homes when Gupta got into the business in 2002. But after some months of marketing, the idea caught on and Ashiana was able to sell all 640 units in Bhiwadi, the largest retirement home complex in the country. Today, Ashiana has launched two more retirement home complexes in Jaipur and Lavasa near Pune. It is not alone. Covai, a ₹100-crore company largely into senior living, plans to build nearly 2,100 units across six cities. Covai plans to invest ₹75 crore to build retirement home complexes in Puducherry, Chennai, Bangalore and Hyderabad. The Chennai-based Shriram Group will launch its first project in March with an investment of ₹55 crore. Another retirement living player, Aamkosh One Eighty, a tie-up between US retirement community giant One Eighty and Aamoksh Leisure Living, is developing a high-end project in Kodaikanal. The project cost is around ₹100 crore. Aamkosh plans to launch two projects – in Pur Kasauli – at an estimated cost c crore.

For many seniors living alo tirement homes are a perfect so they provide food, security and services such as 24-hour medic on-call. Revathi Bhaskar and h band retired from their governme and bought a villa in C Soundaryam retirement home c in Coimbatore. They say they ha regretted their decision even onc year, she was diagnosed with cancer and her husband had dergo heart treatment. "The thought of moving here was away from the headaches of cle cooking and dealing with housen says Bhaskar. "In the crisis situat our requirements were taken car the management."

Apartments in retirement complexes are priced at an affo ₹25 to ₹50 lakh because seniors limited resources. Buyers have m ownership options: companies s Covai and Ashiana sell their ments while the Chennai-based Group follows a hybrid model inv an upfront deposit starting at ₹1 and a monthly rent of ₹15,500 a for food, housekeeping, securit other common services. The dep paid to the successors with some d tions. Builders say retirement h are still a profitable busi "Retirement homes command mium over normal residential pr Our Bhiwadi retirement home fe us 15 per cent more return compa our usual residential project in the locality," says Ashiana Housing's Gupta.

Some retirement homes are almost like holid sorts and are priced at more than ₹50 lakh. Aan One Eighty's Kodaikanal project will have 200 villa amenities such as a golf course, spa, club and s academy. The first set of residents is expected to mo the middle of this year. "Senior living is more abo style," says Sumer Datta, Founder of Aamkosh. "I tured markets like the US and Europe, there are sp ised operators who provide services for seniors." ◆

GREYING OF INDIA

98mn
NUMBER OF PEOPLE AGED 60 AND ABOVE

240mn
ESTIMATED NUMBER OF PEOPLE WHO WILL BE 60-PLUS BY 2050

32
NUMBER OF SENIOR LIVING PROJECTS IN INDIA

30
NUMBER OF PROJECTS IN THE WORKS

300,000
ESTIMATED DEMAND FOR SENIOR HOUSING UNITS

Send your comments to editor.bt@intod

WORLD'S LONGEST COOL AIR RETAINING REFRIGERATOR

LG's new range of refrigerators with patented Power Cut Evercool technology is customised to meet needs for Indian consumers suffering from long power cuts.

In our country power cuts of longer duration directly affect our day to day routine and requirement. The most important particularly for women is how to keep the kitchen stuff, like cooked foods well preserved when there is no current, and your fridge keeps going on and off. Well, now you need not to worry even if there is no current for good seven hours as LG has launched Power Cut Evercool Refrigerators that would maintain the freshness, minus electricity.

Sounds exciting, isn't it? LG Electronics India, positioned as the most consistent market leader in refrigerator since 2004, has actually caught the nerve of a typical Indian consumer, who is facing a daily challenge of electricity crisis, especially in the coming summer season, when even the major metros have a serious power cut, so coming out with a product that is particularly customised to meet practical needs is no doubt a wonderful thing.

Now, coming to what this fridge does. The new LG range of refrigerators offers the finest cooling solutions for the consumer. Equipped with LG's patented Power Cut Evercool technology, these refrigerators provide optimum cooling even during power cuts. It also has a unique Green Ion Door Cooling (GIDC) technology that fights bacteria, eliminates bad odour, slows decaying and maintain even temperature inside the refrigerator. The range is energy efficient saves up to 20% energy. It also offers innovative features like hygiene fresh, fast freezing, tower LED light, salad bar, spice box and convertible box providing optimum comfort and health to your family.

Soon Kwon, Managing Director, LG Electronics India, during the launch in the Capital said, "With 2013 we are back with a bang introducing this new technology keeping in consideration the Indian weather conditions, and requirement. This unique LG patented technology offers cooling retention up to seven hours to keep food fresh and healthy."

On the occasion, Dr. Y V Verma, Director-Home Appliances, LGEIL, informed, "We manufacture products that fit the needs of Indian consumer and this launch is another benchmark innovation based on the customer's insights. With this new series we are expecting a refrigerator division to grow at a rate of 20% targeting a turnover of Rs. 5300 crore while aiming a market share of 38% in refrigerator division by end of 2013." Wow, how cool is that! Let's see the main features of this 'a woman's must-have in her kitchen'. Other than seven hours in the fridge, the freezer portion has nine hours of duration. The product comes with a 10 years warranty on compressor, which ensures durability of refrigerato for a longer period. Fast freezing provides frozen delights at a touch of button. I is equipped with organised space management like convertible box, salad bar, spice box, beauty and care box, just to name a few.

LG is launching 39 SKUs of refrigerators – 35 in Frost Free and 4 in Direct Cool refrigerators. Five models of Frost Free refrigerators are available in the capacity of 258L to 360L in the price range of Rs. 27350 to Rs. 41300 and four models of Direct Cool refrigerators in the capacity of 185L to 235L in the price range of Rs. 12850 Rs.18550.

LG Electronics India Pvt. Ltd. (LGEIL), a wholly owned subsidiary of LG Electronics, South Korea was established in January 1997 in India. From consumer electronics and innovative home appliances to mobile communicatio space, LG delivers electronics that let you embrace life and prepare you for its greatest moments. In India for a decade, LG has earned a premium brand positioning and is the acknowledged trendsetter for the industry.

LG Electronics designs products that are intuitive, responsive and energy efficient so you can spend wisely, be more productive and lessen the impact on the world around you. Its manufacturing unit at Greater Noida is one of the mos eco-friendly units among all LG manufacturing plants in the world. The second Greenfield facility is located at Ranjangaon, Pune has the capacity to manufacture GSM phones, colour televisions, air conditioners, LCD / LED TVs, washing machines, refrigerators and optical disc drives.

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A GLIMMER OF HOPE

A new arrangement promises to reduce transfer pricing disputes.

By SANJIV SHANKARAN

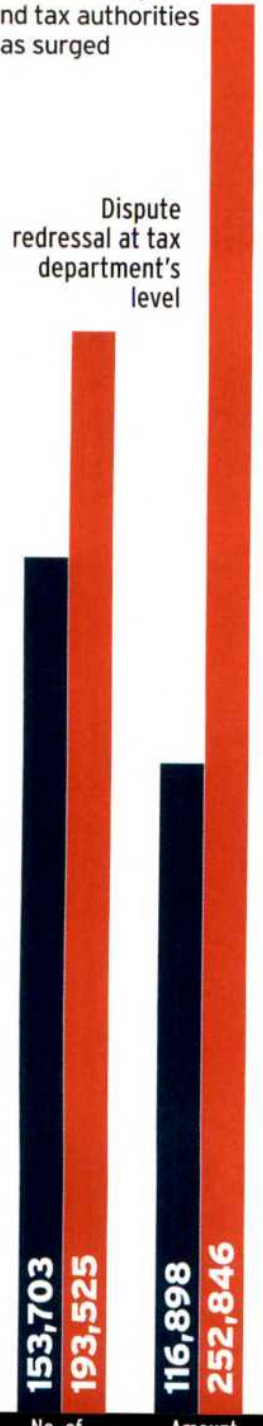
Come April, India's efforts to untangle the knots it has tied itself into while taxing transactions between multinational companies and their Indian units might start showing results. A new arrangement for taxing such transactions, known as transfer pricing, is generating a lot of interest among multinational companies. The interest shown by companies, say tax experts, augurs well for business environment in India after a messy decade of experimenting with transfer pricing (See *Simplifying Transfer Pricing*).

The new arrangement, called Advance Pricing Agreement (APA), aims to improve clarity in transfer pricing rules and reduce litigation. An APA is a mutual pact between a company and tax authorities that determines in advance the way in which intra-group transactions can be structured. The APA process was first announced in last year's budget, and the government notified rules in August. But its positive impact, says Rohan K. Phatarphekar, Head of Transfer Pricing at accounting firm KPMG, will be felt only from next financial year as APAs are applicable prospectively.

Simplifying Transfer Pricing

AGGRESSION'S FALLOUT

The number of disputes between companies and tax authorities has surged



What is transfer pricing?

The price at which a transaction is concluded between different companies of the same group is called a transfer price.

What is transfer pricing in the context of tax?

Around 60 per cent of global trade is between companies in the same group. Tax authorities want these companies to transact at an arm's length price.

What is an arm's length price?

When two unrelated companies transact, it is at a market-determined price. This is known as arm's length price. Tax authorities want companies of the same group to transact at an arm's length price as that results in fair collection of taxes.

Why is taxation of transfer pricing a big source of litigation?

The litigation follows a dispute between tax

Standalone data on tax disputes on account of transfer pricing are not available. However, income tax disputes for both companies and individuals have soared in the recent past. Between March 31, 2009, and March 31, 2011, the amount involved in tax disputes almost doubled to ₹4.05 trillion (one trillion equals 100,000 crore). That amount is enough to cover the government's subsidies for two years.

Within this universe of disputes, transfer pricing is the single-largest cause of litigation for both foreign and Indian multinational companies, says Rahul K. Mitra, National Leader, Transfer Pricing Practice, PricewaterhouseCoopers (PwC). The outstanding amount adjusted by tax authorities in transfer pricing cases is around ₹1 trillion, estimates Vijay Iyer, Partner and Transfer Pricing Leader, Ernst & Young. PwC's Mitra says that almost all adjustments lead to litigation. But tax officials say many companies accept adjustments made in transfer pricing without complaints. However, there is no data available to get a sense of where the truth lies.

In recent months, several multinational companies have seen their transfer pricing being adjusted, sometimes by large amounts. These companies include Cadbury India, Vodafone, Accenture, and Samsung. All the companies declined to talk to *Business Today* on the subject. The latest incident, which came to light earlier in February, involves energy giant Royal Dutch Shell. Tax authorities say Shell India underpriced shares transferred to its parent by as much as ₹15,200 crore during 2008/09. Shell India Chairman Yasmine Hilton said in a statement recently that it disagrees with the tax department's calculation and will challenge the notice.

There are two reasons for the rising number of disputes over transfer pricing. One is the growing aggression of India's tax authorities in the wake of an economic slowdown. The other is the finance ministry's reluctance to introduce specific guidelines on some of transfer pricing's fundamental concepts. In the absence of specific norms, the possibility of whimsical claims is large.

Companies and tax consultants fear that the government is using transfer pricing claims as a measure to enhance revenue. But tax officials disagree. A tax official, who does not wish to be named, says that transfer pricing is meant to deter companies from artificially lowering profits in India to sidestep taxes. It is not meant to be used as a measure to enhance tax collections, he adds.

Finance Minister P. Chidambaram has also sought to allay concerns of multinational companies. "So far as Shell is concerned and the number of cases similar to that, there are orders that have been passed," he said on February 20. "The question has

authorities and companies on the arm's length price. When tax authorities disagree with a company's arm's length price, they 'adjust' the price. If the company disagrees with the 'adjustment,' it can appeal the decision. The company can also approach a high court to resolve the dispute.

Is transfer pricing adjustment the same as tax evasion?

No. The tax law places the chapter on transfer pricing under the umbrella of tax avoidance. Tax avoidance does not imply evasion, which is illegal.

Does transfer pricing adjustment automatically change a company's tax liability?

Yes. An assessing officer has to take a call on the adjustment (made by another tax official) and decide the quantum of change in a company's tax liability.

been referred to the Attorney General a few days ago... We are approaching all these cases in a purely professional manner."

Globalisation's after-effect

India introduced transfer pricing rules in 2001/02, as it became clear that increasing integration into the global economy was going to create new challenges for the tax department. An indicator of the extent of India's trade and financial integration with the rest of world is captured by the proportion of total external transaction to gross domestic product. It rose from 44 per cent in 1998/99 to 112 per cent in 2008/09.

Growing globalisation has led to fear among several countries that multinational companies tend to prepare accounts in a way that most of their profits show up in a group company located in a country with relatively low tax rates.

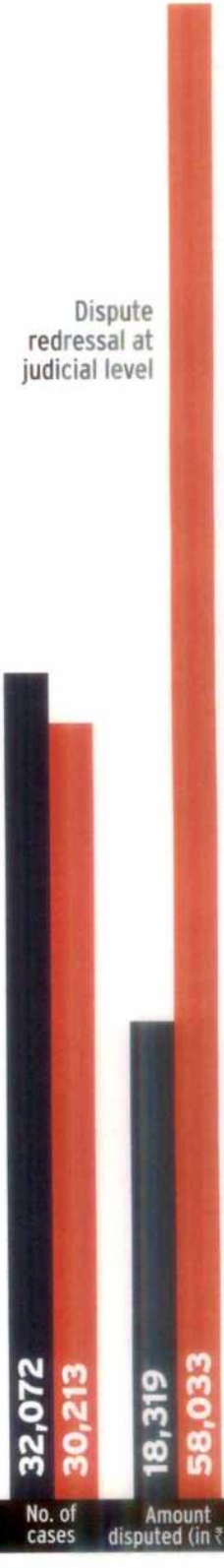
India is not the only country worried about transfer pricing. Other countries, notably the UK, Germany, and the US, have articulated anxiety over the possibility that companies are shifting profits to low-tax jurisdictions. However, no other country seems to be mired in litigation of the magnitude India is experiencing. In 2011, PwC estimated that 70 per cent of outstanding transfer pricing disputes in the world originated in India. "In the last five years, about 500 transfer pricing cases have been decided by tribunals in India," says PwC's Mitra. "During the same period, the UK had just one case at the level of the tax court."

In this backdrop, why should companies be excited by APAs?

Early experience with APAs shows there is a systemic change underway. "The change in mindset is dramatic," says Mitra. "We have an extremely pragmatic and positive set of officers manning the APA process who are committed to resolving cases in a non-adversarial manner."

Tax experts say that several companies have engaged in preliminary talks with tax authorities. The government has not disclosed details about interest in the APA programme, as tax payers can opt for anonymity during preliminary talks. But Mitra says that feedback from APA authorities indicates that the number of companies filing applications to discuss APAs is likely to touch 70 by the end of March. "That's a huge number for the first year itself."

The interest in APAs in India is probably the first positive trend in transfer pricing in a decade. That too, at a time ongoing litigation over tax disputes has dampened business sentiment. Ernst & Young's Iyer says the response to the APA scheme indicates that companies are optimistic about the process. Mitra agrees. "The government is committed to make it a success," he says. "That's where the confidence comes from." ◆



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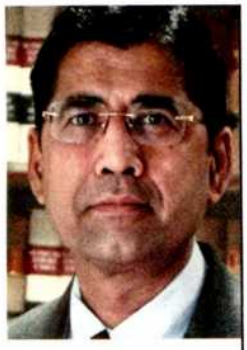


Shell-shocked

The tax demand made of Shell India is absurd and harmful

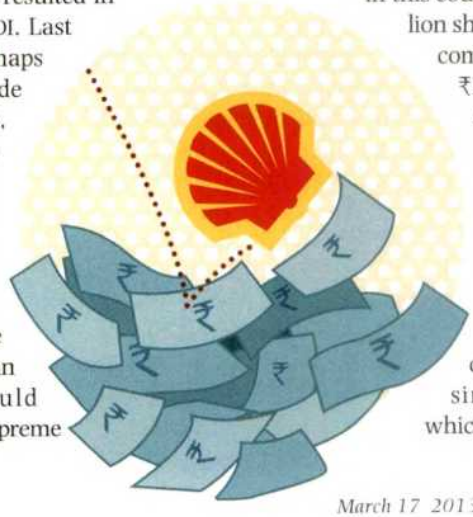
The biggest deterrent for any foreign investor in the manufacturing or service sector is not the lack of roads, ports or other infrastructure but the utterly savage and irrational manner in which our tax laws are drafted and implemented.

P. Chidambaram's recent roadshow across Asia and Europe was intended to attract foreign direct investment (FDI). All is well with India, he said. The India growth story was not over and it still made sense to invest dollars, euros and yens to set up establishments in India. But the absurd demand made from Shell has completely obliterated any goodwill or confidence Chidambaram may have generated. The expenditure incurred on his foreign trips can be simply written off.

We never seem to learn from our mistakes. The Vodafone judgment was a significant event that demonstrated the robust independence of the Indian legal system. It sent a message that the rule of law prevailed in India irrespective of the tax involved. The judgment, if left alone, would have resulted in huge inflows of FDI. Last year's Budget, perhaps the most retrograde in living memory, destroyed all the goodwill this judgment generated. The UPA government went out of its way to deliver the message to the world that the Indian government could never lose. If the Supreme Court gave a particular interpretation favourable to the assessee, it would be simply overturned even if it meant amending the law retrospectively for 50 years. International outrage forced the government to beat a hasty retreat, and the Shome Committee was constituted to make some face-saving recommendations.

The demand against Shell India shows the revenue department never gives up. Faced with meeting Himalayan revenue targets, it resorts to patently shocking demands, completely oblivious to how counterproductive they are from a national perspective. It never occurs to the government that making demands just to meet targets is a short-term measure that can have devastating long-term consequences. It is no surprise that FDI inflows over the past year have been almost nil. It is also not surprising that gross domestic product growth is now below the six per cent level.

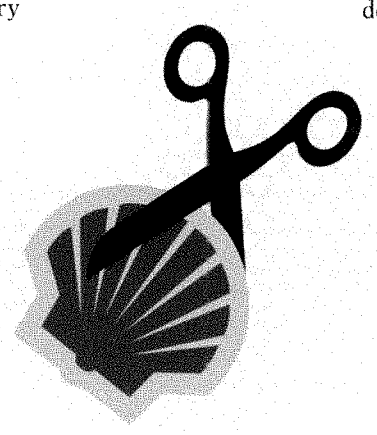
The Shell India case is another example of demands being made that are totally contrary to elementary principles of law. Shell India needed capital for its operations in this country. It issued 87 million shares to another group company at a par value of ₹10. The department's case is that each share was actually worth ₹183 and by issuing shares at par value, there was an undervaluation of shares, thus resulting in evasion of taxable income. There is not a single reported case which has held that the dif-



Faced with meeting Himalayan revenue targets, the revenue department resorts to making patently shocking demands, completely oblivious to how counterproductive they are from a national perspective

ference between the value of a share and the issue price amounts to income. At best, the selling of a share at a price below its value, may have resulted in a 'deemed gift' under Section 4 of the erstwhile Gift Tax Act, 1957. But the difference can never be treated as income. Further, the question of 'undervaluation' arises mostly in the context of transfer pricing. When the issue price of the share is not taxable at all, a question of adjusting the transfer price for this sum will never arise.

According to the logic used in the Shell case, every time an Indian company issues shares to its holding company at a price less than its alleged value, the difference will be taxable as income. There is no basis for such a demand under the Income Tax Act and its absurdity can be demonstrated by taking a converse example. A subsidiary company is in financial difficulty and the parent company infuses capital by subscribing to its shares at par value. If the face value is ₹10, but the actual value of the share is one rupee, will the difference be treated as a loss and permitted to be adjusted against taxable income?



Another serious consequence of the case is the likelihood of the department reopening assessments in all cases where shares were issued by an Indian company to its foreign holding company

The other serious consequence is the likelihood of the department re-opening assessments in all cases where shares were issued by an Indian company to its foreign-holding company. Each case may now be examsined to determine whether the prices at which the shares were subscribed was lower than their 'value'. The revenue department can exult in making demands of several thousands of crores and only further reduce India's attractiveness as an investment destination.

The Shell case also demonstrates the utterly irrational manner in which the various provisions of our direct and indirect taxes are implemented. The transfer pricing provisions and the provisions for re-opening of assessments are often blatantly misused with severe financial consequences for taxpayers. Notices for re-opening of assessments are issued on the most preposterous grounds and there is an unfortunate reluctance on the part of several high courts to entertain writ petitions against such unreasonable demands. There are several cases where the benefit of tax holidays are sought to be denied by resorting to re-opening of assessments. These benefits were given to attract investment and promote economic growth. But four years later, these are sought to be taken away by re-opening assessment on some ground or other.

As we approach February 28, 2014, the real danger is not in what will be provided in the Budget. The greater concern that must be addressed at the earliest is the repeated misuse of various provisions of the Income Tax Act, 1961. The collection of revenue, albeit important, cannot be considered in isolation. Sensational demands cause greater long-term damage than the possible increased tax collections.

In his classic novel, *1984*, George Orwell coined the expression "doublethink" which meant the power of holding two contradictory beliefs in one's mind simultaneously and accepting both of them. India is facing the disastrous consequences of "doublethink". Incredibly, we have the contradictory belief that India can become an economic superpower while simultaneously taxing our citizens and corporations in a completely arbitrary manner. ◆

The author is a Senior Advocate of the Madras High Court.

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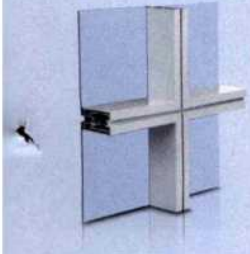

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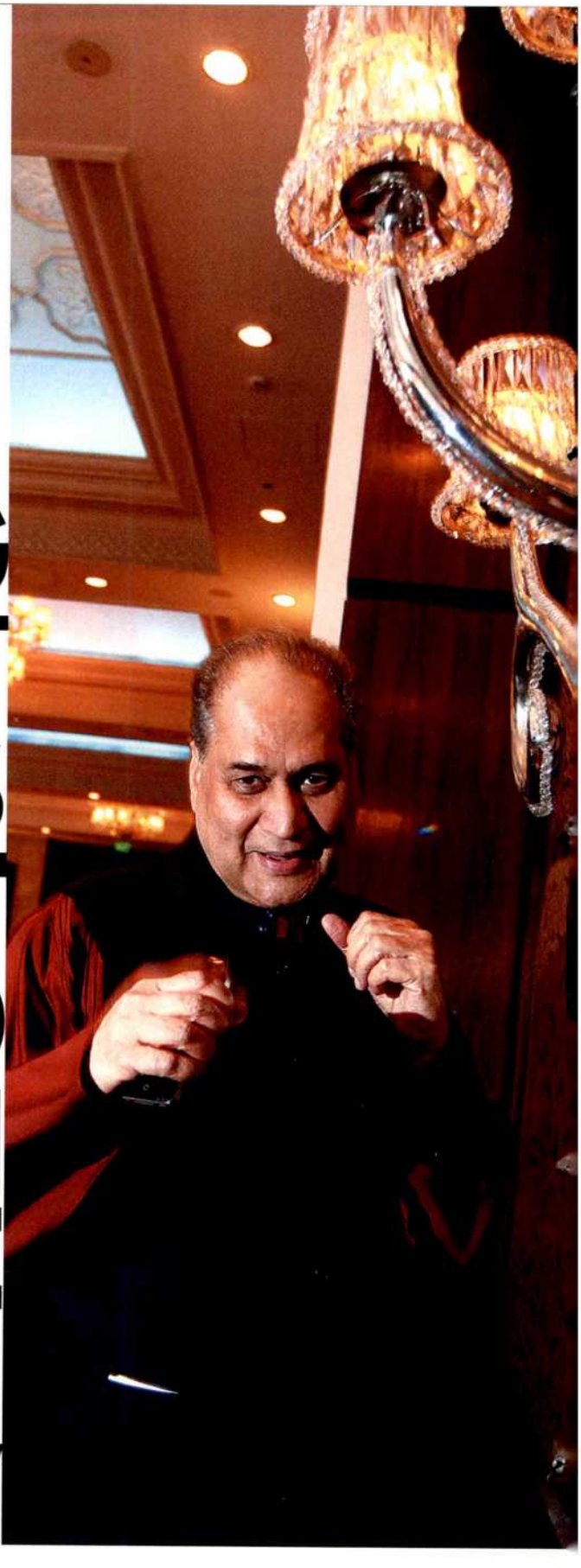
MOVING OUT OF SCOOTERS WAS NOT A GOOD IDEA. I DISAGREE WITH RAJIV



***Rahul Bajaj**, 74, Chairman of the ₹28,000-crore Bajaj Group, discusses his companies' performance as well as the state of the country with **Govindraj Ethiraj** in an exclusive interview on the show Bottomline, which airs on **Headlines Today**. Edited excerpts:*

What is the mood like in industry? How are you feeling?

Speaking about manufacturing, it is very difficult for things to get worse than they were in 2012. It was *annus horribilis* – as Queen Elizabeth characterised another year long ago. The first quarter GDP (gross domestic product) growth was 5.5 per cent, then it was 5.3 per cent. That is not good enough. Our per capita income is $1,500 or even less per annum, that of Europe, America and Japan, around $40,000. We need nine to 10 per cent growth, otherwise we can't provide employment, we can't get incomes up. Inequalities are rising all over the world.

You wrote in January 2011 that you were confident the institutional mechanisms for uncovering and dealing with corruption were strong and effective...

I don't remember that. I don't know in which context I said that. Political parties and politicians will not allow that to happen.

Do you think the cleansing you referred to then is complete?

Cleansing has not even started.

I am talking about the business side – the corporate scams, firms being prosecuted...

Where has that finished? Every day there are new scams... Some things may not be 100 per cent accurate, they may be exaggerated, but I am very clear regarding the scams that where there is smoke, there is fire... People are so sick of corruption and black money that everybody who talks against corruption and has even the slightest credibility, gets support.

So, when will the cleansing end?

I think public opinion... Baba Ramdev, Anna Hazare and to some extent even Arvind Kejriwal and the Aam Aadmi Party... We need that kind of pressure.

Can there be self-cleansing?

Self-cleansing by companies? Yes. But if you mean industry associations...

Industry as a whole.

There are 7,000 members of CII, and CII must ensure they are honest and they pay taxes and don't give bribes? That's not possible.

So the scam phase has not come to an end?

I don't think so. I wish it would come to an end, but how the hell will it? From people, I know it will never come to an end till the fear of God is in the bribe-giver and the bribe-taker.

Do you feel business houses like Bajaj, which have been around for a long time and doing mostly one kind of business, are being crowded out in some way?

I can't speak in general. As far as I am concerned – not at all. It has paid in the long run. (It is important) to stick to the knitting. I am not like my grandfather Jamnalal Bajaj, who was a saint. But I'm very straightforward. We have some common values, some ethics. I don't pay cash money because I don't have any, whether anyone believes me or not. I don't pay cash money to politicians and bureaucrats. People say your business can't go on. *(Laughing)* I say, see my market cap.

IT IS VERY DIFFICULT FOR THINGS TO GET WORSE THAN IN 2012

How do we shake ourselves out of the syndrome that afflicted us in 2012?

I can only talk about what we are

SHEKHAR GHOSH/www.indiatodayimages.com

Full interview at
www.businesstoday.in/rahul-bajaj

doing in our group – in our financial services group, Bajaj Finserv, and in Bajaj Auto. We ignore the fact that scams are going on. We even ignore that we are growing at a GDP of 5.5 per cent and not eight or nine per cent. So, depending on what your industry is, you see the economy and the markets and you plan accordingly. We have the new Discover motorcycles and 125 cc Discovers and Pulsars. They are all doing very well. Similarly in our financial services and insurance... Just make your company more efficient, or else you are neither going to survive nor prosper...

Your last annual report said your motorcycle sales grew only six per cent while the market grew at 11 per cent. I think you exhorted the company and management to do better.

Yes, I did. I was not happy with what was done in 2011/12. This year (2013) will probably be flat for two-wheelers, cars will be down, and commercial vehicles are down. The only thing that has not fallen that much is the light commercial vehicle category in which we include our three-wheelers. These are doing better. There are three companies which make up 90 per cent of the market and TVS is the fourth. No.1 is clearly Hero Motors, No.2 is clearly Bajaj, especially in motorcycles. In three-wheelers we are No.1. Honda, which is new, is at No.3. Honda makes scooters, which we don't. It is, in fact, much better at that. The other thing is that we export a lot of our production so in totality we are all right, we are not so bad.

Was it a good idea to get out of scooters?

No. I don't think so. The CEO and Managing Director is Rajiv Bajaj. I see him as an outstanding young man doing a great job. He believes in focus and his definition of focus is to concentrate on motorcycles, not scooters, and he says that is why my market cap is going up. Analysts are saying the Bajaj share price is going to go up, but they don't say this about TVS, according to him. They don't say this about anybody who does everything, including Honda (which does not have market cap in India), and Hero Motors, which is into motorcycles and scooters. So, Rajiv says he is right, but I disagree with him. For 40 years I focused on two-wheelers and three-wheelers. I think there is an element of lack of confidence, the feeling that he will not do well at producing a good scooter, which can get a reasonable market share of, say, 20 per cent, and can be exported too. I may differ with him, but I defer things to him because he is a very good CEO. We keep pushing each other.

Your shareholders remain committed to their investment...

I have not raised capital for 50 years. How much capital has Bajaj Auto raised? Less than one crore in 1966. After that, not a penny. Every year without fail we have given good dividends. 400 per cent last from Bajaj Auto. Yield becomes only two per cent because of the share prices being what they are. People have benefited due to their appreciation.

IN TOTALITY BAJAJ COMPANIES ARE ALL RIGHT, NOT SO BAD

So this is the outcome. Looking ahead, where will growth come from?

In 2013, everything will be based on government policies and I am not hopeful. If there was no politics, I would be hopeful but that would be talking nonsense – there are eight state elections to come and a general election as well...

So 2013 will be, as we conclude now...

Will 2013 be better? It can be worse than 2012... I am worried, quite frankly, because of the elections. What will be the 2013/14 Budget be like? On February 28, 2013, I will be at the central hall in the Rajya Sabha visitors' gallery to listen to Finance Minister Mr P. Chidambaram.

And business has no choice but to focus on doing business?

I will not put it that way. That sounds very negative. Why should we waste time thinking about other things? Do what you are best at. We have motivated people, farmers, service sector people, industry people, labour and entrepreneurs. They are all motivated and raring to go. India can only go up. ◆

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- Birth of GAIL

- India's first natural gas pipeline HVJ commissioned

- First LPG plant at Vijaipur (M.P.) commissioned

- Maiden dividend of ₹ 20 crore
- CNG Pilot Project

- Listing at NSE, BSE, DSE

- Navratna status

- LPG plant at Maharashtra & Assam commissioned

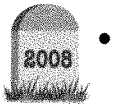
- First Petrochemical plant at Pata commissioned

- Asia's longest (1969 km) Jamnagar - Loni LPG pipeline commissioned
- LPG plant in Gujarat commissioned

- Discovery in A 1 block in Myanmar
- Discovery of oil and gas in the Cambay block

- Dahej - Vijaipur pipeline commissioned
- Subsidiary Company setup in Singapore

- Dahej - Panvel - Dabhol pipeline commissioned



- GAIL Gas Limited incorporated for gas retailing

- First PSU to acquire shale gas acreage in USA
- Signed first of its kind long term LNG supply contract based on Henry Hub price indexation with Cheniere Energy, USA
- Subsidiary company setup in USA

- Signed Gas Sales and Purchase Agreement for TAPI pipeline project
- Signed long term LNG supply deal with Gazprom
- 2200 km Dahej-Dadri-Bathinda-Nangal pipeline network dedicated to the nation

- Commissioned LNG terminal at Dabhol
- GRANTED MAHARATNA STATUS

*Platts Ranking 2012 **Platts Ranking 2011

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- Production of over 11 million tonnes of urea
- Every 10th LPG cylinder sold
- About 10 lakh vehicles in the country running on CNG and over 10 lakh households in the country receiving Piped Natural Gas (PNG)
- Production of petrochemicals of around 450,000 MTs which are used in the plastic industry

• • •

Since formation, GAIL has shared under recoveries to the tune of ₹ 15,933 crore and paid ₹ 6,557 crore as dividend to Government of India

STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31st DECEMBER, 2012

(₹ in Lakhs)

	Particulars	For the Quarter ended			For the Nine Months ended		For the Year ended
		31.12.2012 Unaudited	30.09.2012 Unaudited	31.12.2011 Unaudited	31.12.2012 Unaudited	31.12.2011 Unaudited	31.03.2012 (Audited)
	PART - I						
1	Income from Operations						
	a) Net Sales/Income from operations	1,247,425	1,136,122	1,125,978	3,492,409	2,982,618	4,028,074
	b) Other Operating Income	2,994	3,171	3,437	8,503	8,337	11,721
	Total Income from Operations (Net)	1,250,419	1,139,293	1,129,415	3,500,912	2,990,955	4,039,795
2	Expenses						
	a) Consumption of raw materials	78,523	70,171	65,744	208,252	186,778	249,410
	b) Purchases of Stock in trade	865,567	846,087	764,543	2,460,589	2,028,823	2,844,046
	c) (Increase)/decrease in Inventories of Finished Goods, Work in Progress and Stock in Trade	3,845	(16,042)	19,413	11,289	(8,457)	(49,775)
	d) Employees Cost	16,826	17,364	18,565	50,553	52,774	60,749
	e) Depreciation & amortisation expenses	24,239	24,907	19,748	70,838	57,637	79,071
	f) Other expenditure	85,449	80,510	81,664	236,568	226,279	353,835
	Total Expenses	1,074,449	1,022,997	969,677	3,038,089	2,543,834	3,537,336
3	Profit from Operations before Other Income, Finance Costs & Exceptional Items (1-2)	175,970	116,296	159,738	462,823	447,121	502,459
4	Other Income	15,418	23,678	2,135	42,876	20,200	43,188
5	Profit before Finance Costs & Exceptional Items (3+4)	191,388	139,974	161,873	505,699	467,321	545,647
6	Finance Costs	5,518	2,612	2,073	14,008	6,414	11,646
7	Profit after Finance Costs but before Exceptional Items (5-6)	185,870	137,362	159,800	491,691	460,907	534,001
8	Exceptional Items	-	-	-	-	-	-
9	Profit(+)/ Loss(-) from Ordinary Activities before tax (7+8)	185,870	137,362	159,800	491,691	460,907	534,001
10	Tax expenses						
	Current Tax						
	- Current Year	46,466	27,233	50,128	118,615	148,764	142,847
	- Earlier Year	-	(4,498)	-	(4,498)	-	12,230
	Deferred Tax	10,918	16,089	530	37,172	(4,907)	13,540
11	Net Profit (+)/Loss (-) from Ordinary Activities after tax (9-10)	128,486	98,538	109,142	340,402	317,050	365,384
12	Extraordinary Items (Net of tax expenses)	-	-	-	-	-	-
13	Net Profit (+)/Loss (-) for the period (11-12)	128,486	98,538	109,142	340,402	317,050	365,384
14	Paid up Equity Share Capital (Rs.10/- per share)	126,848	126,848	126,848	126,848	126,848	126,848
15	Reserves excluding Revaluation Reserves	-	-	-			2,035,600
16	Earnings Per Share (EPS) (in Rs.)						
	(a) Basic & Diluted EPS before Extraordinary items	10.13	7.77	8.60	26.84	24.99	28.80
	(b) Basic & Diluted EPS after Extraordinary items	10.13	7.77	8.60	26.84	24.99	28.80
	PART - II SELECT INFROMATION FOR THE QUARTER ENDED 31st DECEMBER, 2012						
A	PARTICULARS OF SHAREHOLDING						
1	Public Shareholding						
	- No. of shares	541,071,725	541,071,725	541,071,725	541,071,725	541,071,725	541,071,725
	- Percentage of Shareholding (Including 1,22,39,286 shares represented by 20,39,881 GDRs as on 31.12.2012)	42.65	42.65	42.65	42.65	42.65	42.65
2	Promoters and Promoter Group Shareholding						
	a) Pledged / Encumbered						
	- No. of shares	Nil	Nil	Nil	Nil	Nil	Nil
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	Nil	Nil	Nil	Nil	Nil	Nil
	- Percentage of Shares (as a % of the total share capital of the company)	Nil	Nil	Nil	Nil	Nil	Nil
	b) Non - encumbered						
	- No. of shares	727,405,675	727,405,675	727,405,675	727,405,675	727,405,675	727,405,675
	- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.00	100.00	100.00	100.00	100.00	100.00
	- Percentage of Shares (as a % of the total share capital of the company)	57.35	57.35	57.35	57.35	57.35	57.35

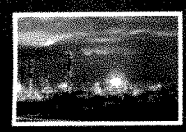
	Particulars	3 Months ended 31.12.2012
B	INVESTOR COMPLAINTS	
	Pending at the beginning of the quarter	Nil
	Received during the quarter	2
	Disposed of during the quarter	2
	Remaining unresolved at the end of the quarter	Nil

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER ENDED 31st DECEMBER, 2012

(₹ in Lakhs)

	Particulars	For the Quarter ended			For the Nine Months ended		For the Year ended
		31.12.2012 Unaudited	30.09.2012 Unaudited	31.12.2011 Unaudited	31.12.2012 Unaudited	31.12.2011 Unaudited	31.03.2012 (Audited)
1	**Segment Revenue (Net Sales/Income)**						
	A. TRANSMISSION SERVICES						
	I) NATURAL GAS	**98,936**	98,453	108,716	**288,913**	300,608	385,240
	II) LPG	**8,080**	(396)	12,158	**19,045**	34,561	45,421
	B. NATURAL GAS TRADING	**1,011,800**	969,696	914,951	**2,905,710**	2,393,032	3,305,157
	C. PETROCHEMICALS	**110,698**	87,984	87,798	**256,096**	245,253	341,540
	D. LPG AND LIQUID HYDROCARBONS	**127,720**	76,947	96,544	**311,898**	276,799	309,024
	E. OTHER SEGMENT	**4,345**	7,580	3,442	**17,529**	8,211	12,366
	Total	**1,361,579**	**1,240,264**	**1,223,609**	**3,799,191**	**3,258,464**	**4,398,748**
	Less : Inter- Segment Revenue	**114,154**	104,142	97,631	**306,782**	275,846	370,674
	Sales / Income from Operations	1,247,425	1,136,122	1,125,978	3,492,409	2,982,618	4,028,074
2	**Segment Results (Profit before Interest and Tax)**						
	A. TRANSMISSION SERVICES						
	I) NATURAL GAS	**61,953**	60,488	62,083	**179,174**	182,910	215,386
	II) LPG	**1,328**	(4,892)	7,753	**3,530**	21,872	27,201
	B. NATURAL GAS TRADING	**29,862**	24,471	32,299	**103,897**	92,269	108,860
	C. PETROCHEMICALS	**43,948**	41,816	38,745	**105,343**	103,486	146,580
	D. LPG AND LIQUID HYDROCARBONS	**59,204**	6,646	30,548	**109,577**	86,612	55,443
	E. OTHER SEGMENT	**(8,340)**	694	(4,357)	**(6,837)**	(15,890)	(19,642)
	Total	**187,955**	**129,223**	**167,071**	**494,684**	**473,259**	533,828
	Less : (i) Interest	**5,518**	2,612	2,073	**14,008**	6,414	11,646
	(ii) Other Un-allocable Expenditure	**11,815**	13,266	7,415	**32,220**	26,645	32,385
	(iii) Other Un-allocable Income	**(15,248)**	(24,017)	(2,217)	**(43,235)**	(20,707)	(44,204)
	Total Profit before Tax	185,870	137,362	159,800	491,691	460,907	534,001
3	**Capital Employed (Segment Assets - Segment Liabilities)**						
	A. NATURAL GAS TRANSMISSION / TRADING	**1,496,392**	1,477,739	1,409,958	**1,496,392**	1,409,958	1,320,629
	B. LPG TRANSMISSION	**74,213**	66,837	79,559	**74,213**	79,559	79,397
	C. PETROCHEMICALS	**160,933**	179,407	161,904	**160,933**	161,904	161,924
	D. LPG AND LIQUID HYDROCARBONS	**103,769**	97,558	93,025	**103,769**	93,025	78,534
	E. OTHER SEGMENT	**47,067**	54,393	(14,414)	**47,067**	(14,414)	35,171
	F. UN-ALLOCABLE	**1,718,267**	1,403,805	1,100,435	**1,718,267**	1,100,435	1,198,340
	Total	**3,600,641**	**3,279,739**	**2,830,467**	**3,600,641**	**2,830,467**	2,873,995

Note : Others Segment includes GAILTel, E&P, City Gas & Power Generation in standalone.



Notes

1. The above financial results have been reviewed by the Audit Committee and approved by the Board of Directors at its separate meetings held on 14th February 2013.
2. Limited Review of the Financial Results has been carried out by the Statutory Auditors of the company.
3. In terms of the decision of the Government of India to share the under recoveries on LPG, the company has provided discount of ₹ 70000 Lakhs for the quarter ended 31st December, 2012 (Previous year corresponding quarter: ₹ 53612 Lakhs) and adjusted ₹ 8567 Lakhs towards excess provision for the quarter ended 30th September, 2012 (Previous year quarter: Nil) and ₹ 210000 Lakhs for the period ended 31st December, 2012 (Previous year: ₹ 178464 Lakhs).
4. Previous period / year figures have been regrouped / reclassified, wherever required.

For GAIL (India) Limited

(P. K. Jain)
Director (Finance)

Place: Jaipur
Date: 14.02.2013

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Young and APPY

Even school and college students in India are now developing apps for mobiles and tablets. By SUNNY SEN

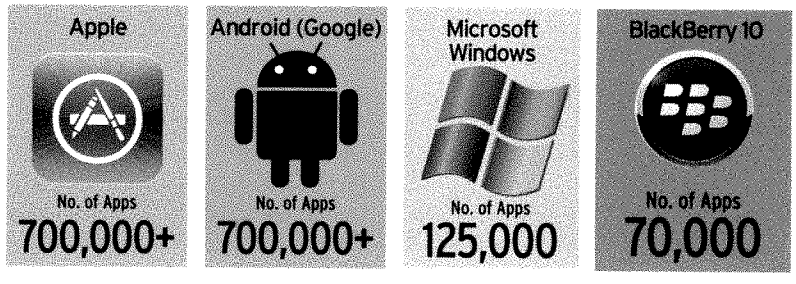
When he is at home, Raghav Sood spends most of his time with his Apple Mac laptop and the half-dozen smartphones, including a Google Nexus, he possesses. But, unlike most kids his age, this 15-year-old does not merely play online games. The Class 10 Delhi student also makes mobile applications, or apps, for BlackBerry and Google's Android-based devices. How did he get hooked on app development? His father, Atul Sood, is a senior executive with tech giant IBM, but Raghav insists that was far from being the trigger. "It has nothing to do with my father," he says. "I am completely self-made."

Raghav began learning computer programming when he was nine years old. He first designed a few websites and desktop applications. He started making mobile apps in February 2011 after he got his first Android smartphone, an LG Optimus Plus, as a gift from his father. It took him a week to develop his first app, a simple tic-tac-toe game called Knots & Crosses. Since then he has developed more than a dozen of them, including one that tests a person's reflexes. He has also set up a company called Appaholics to make apps and written a book on Android apps for a US publisher. His efforts have been earning him some pocket money, too – about ₹4,000 a month.

Around 1,745 km away in Bangalore, another schoolboy, Rahul Dominic, not only makes apps but also has a couple of companies as his clients, which pay him between ₹5,000 to ₹15,000 per app. Rahul, also 15, first discusses the proposed apps with his father, who works with software giant Tata Consultancy Services. He has developed more than 50 apps for Android and Windows phones. What are they all about? One of them, Network Share, enables mobile devices which use different operating systems to share information over the Net. Another is called Duco Paint and is

Opportunity Abounds

Number of mobile apps on different platforms

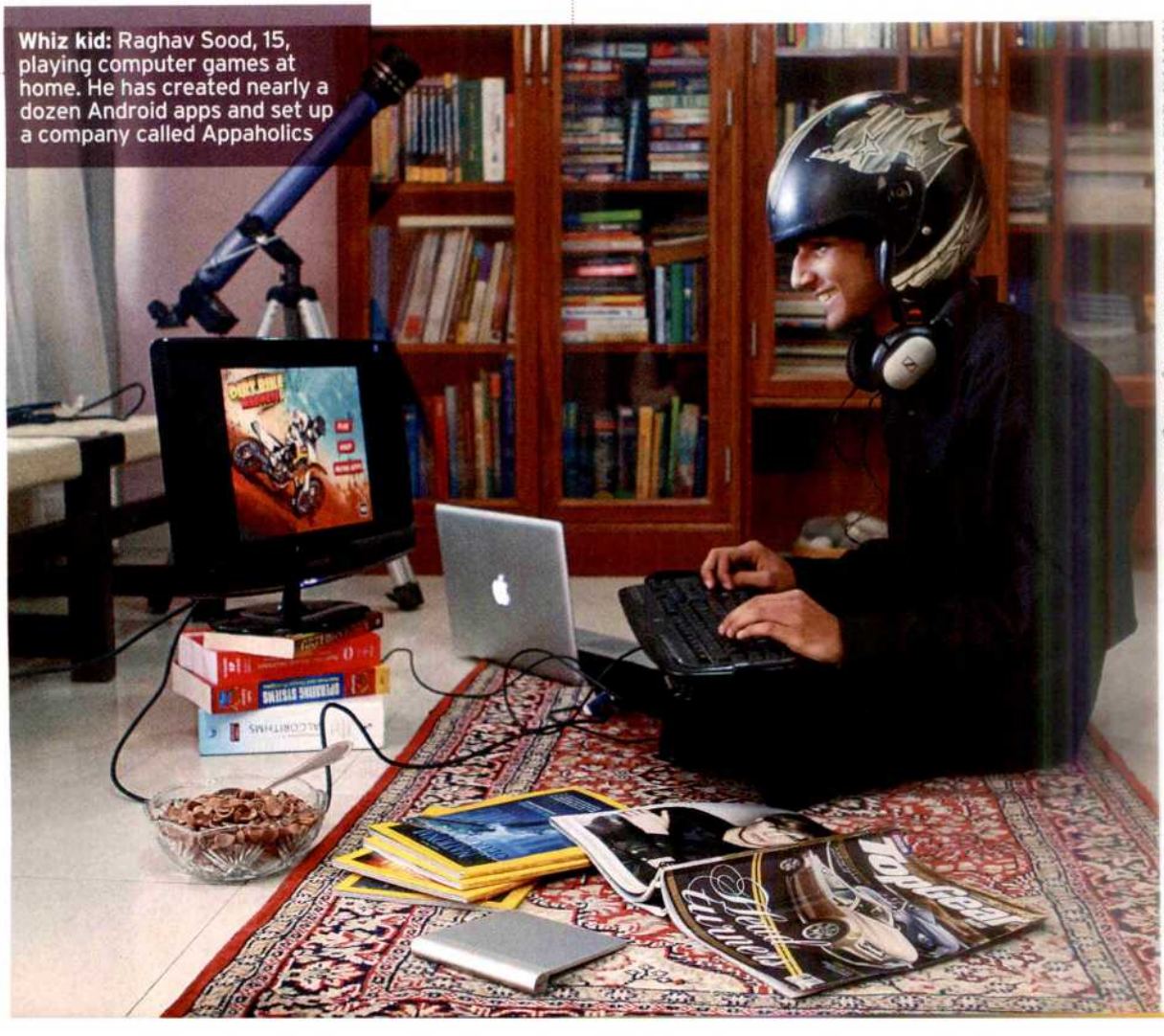


used to create colourful graphics. What excites him about his new-found hobby? "The most interesting part about apps is that you can build something which no one else has done," he says.

There seems to be no minimum age limit to qualify as an app developer. Raghav and Rahul are part of a new generation of school- and college-going youngsters in India making apps for mobiles and tablets. There is no estimate for the number of such developers, but the trend is catching on. "There are definitely a large number of student developers, or what we call hobbyist developers in the country," says Joseph Landes, General Manager, Microsoft India, whose job responsibilities include helping developers make Windows apps.

The opportunity is huge. There are more than 700 million smartphone and 150 million tablet users globally, according to technology research firm IDC. In 2012, the size of the global app market was about $25 billion to $30 billion, according to estimates by various research firms, and is likely to grow 20 to 30 per cent annually in the next few years. "App development is a faster-growing business than any other tech phenomenon," says Vikas Saxena, CEO of mobile instant messaging company Nimbuzz.

Until a decade ago, an 'application' meant a software programme created by companies such as Microsoft for other companies to run their businesses better. But the explosion in the number of mobile devices has opened up



Whiz kid: Raghav Sood, 15, playing computer games at home. He has created nearly a dozen Android apps and set up a company called Appaholics

ADITYA KAPOOR/WWW.INDIATODAYIMAGES.COM

NILOTPAL BARUAH

Applying his mind: Rahul Dominique, 15, is already making apps for companies. He has made more than 50 so far

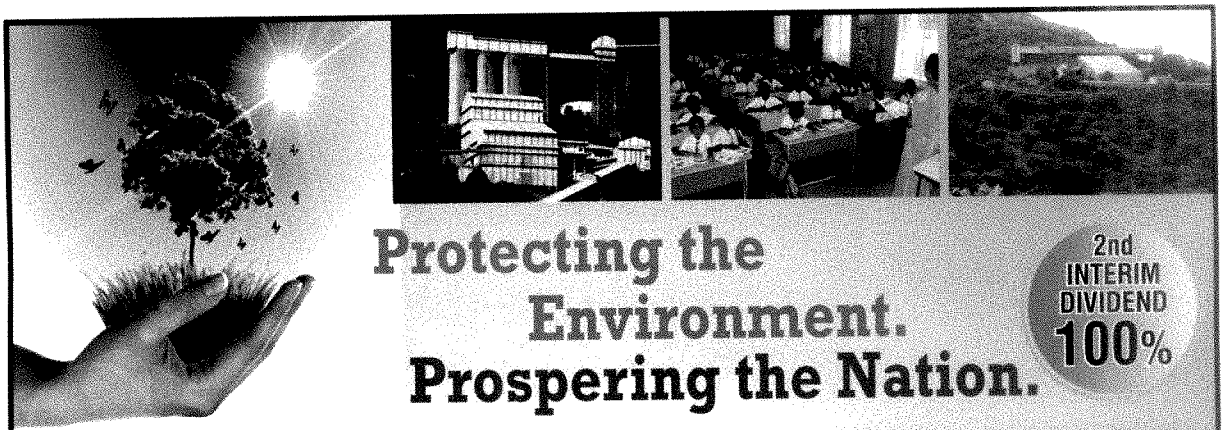
a vast market for consumer apps that individual developers are tapping into. These apps do not require large physical infrastructure to develop. Many can be made at home on a personal computer. What has made developers' job still easier is the availability of free app platforms such as Android, and access to resources such as online storage space for as little as $10 (₹550) a month. "You even get online help without moving an inch from your seat," says Raghav. Analysts agree. "There are no entry and exit barriers today to becoming an application developer," says Sanchit Vir Gogia, Principal Analyst at IDC.

It is not even necessary to know coding, or any programming language, to become a developer. "With software like Orangescape you just need to visualise how an app should look like and write a flow chart accordingly," says Gogia. The software figures out the backend and codes automatically.

A key reason for the boom in the number of young app developers is the support they get from technology companies such as Microsoft, Google, Yahoo, Intel and Nimbuzz. These companies organise app fests or developers' meetings to engage with students. Many allow developers to use their app platforms for free. Nimbuzz even permits students to train at its facility in Gurgaon.

Bangalore's Vincent Anup Kuri, 19, and Ranchi's Kasturi Shrivastava, 21, are among those who have benefited from such app fests. Vincent won ₹30,000 in an app fest organised by his engineering college for an Android app that was similar to Apple's voice recognition tool Siri for iPhones. He also took part in an app contest organised by Yahoo, where he made an app called Book Hustler, which can be used to buy and sell books. Vincent, who earns as much as ₹25,000 a month from apps, is now focusing on developing gaming and education apps for Windows and Android. These will be free to download, he says, but users will have to pay to access more features.

Kasturi, a computer engineering student at Chennai's Vellore Institute of Technology, represented her college at a Microsoft app fest in Bangalore about a year ago. This included a contest which required its more than



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PART-I

STATEMENT OF UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 31-12-2012 (Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-12	30-Sep-12	31-Dec-11	31-Dec-12	31-Dec-11	31-Mar-12
1. Income from operations						
(a) Net Sales / income from operations (net of excise duty)	2,046.83	2,611.84	2,821.95	7,496.57	8,666.88	11,260.53
(b) Other operating income	0.86	0.14	0.23	3.45	0.43	1.36
Total Income from operations (net)	**2,047.69**	**2,611.98**	**2,822.18**	**7,500.02**	**8,667.31**	**11,261.89**
2. Expenses						
(a) Consumption of raw materials	8.54	6.16	5.50	23.32	17.96	24.01
(b) Consumption of Stores & spares	64.01	39.80	59.56	157.50	151.37	232.56
(c) Changes in inventories of finished goods and work-in-progress	-49.49	-48.65	-38.89	-111.26	16.90	-22.72
(d) Employee Benefit Expense	139.19	144.01	135.14	418.46	392.88	529.10
(e) Royalty & Cess	204.69	221.10	262.32	648.92	729.81	1,022.61
(f) Selling Exps incl. Freight out	176.37	212.67	44.47	425.14	146.30	144.02
(g) Depreciation and Amortisation	33.87	33.18	33.12	99.84	97.09	130.17
(h) Other Expenses	113.12	102.01	93.27	309.77	260.97	406.38
Total Expenses	690.30	710.28	594.49	1,971.69	1,813.28	2,466.13
3. Profit from operations before Other income finance cost & exceptional items (1-2)	1,357.39	1,901.70	2,227.69	5,528.33	6,854.03	8,795.76
4. Other income	556.26	583.08	523.95	1,691.48	1,466.20	2,016.49
5. Profit from ordinary activities before finance costs and exceptional items (3+4)	1,913.65	2,484.78	2,751.64	7,219.81	8,320.23	10,812.25
6. Finance cost	-	-	-	-	-	1.48
7. Profit from ordinary activities after finance costs but before exceptional items (5-6)	1,913.65	2,484.78	2,751.64	7,219.81	8,320.23	10,810.77
8. Exceptional items	-	-	-	-	-	51.30
9. Profit from ordinary activities before Tax (7-8)	**1,913.65**	**2,484.78**	**2,751.64**	**7,219.81**	**8,320.23**	**10,759.47**
10. Tax expense	620.85	806.16	892.83	2,342.39	2,697.12	3,494.08
11. Net Profit from ordinary activities after tax (9-10)	1,292.80	1,678.62	1,858.81	4,877.42	5,623.11	7,265.39
12. Extraordinary items (net of tax expense)	-	-	-	-	-	-
13. Net Profit for the period (11-12)	**1,292.80**	**1,678.62**	**1,858.81**	**4,877.42**	**5,623.11**	**7,265.39**
14. Paid-up Equity Share Capital: Face value per share	396.47 Re. 1/-	396.47 Re. 1/-	396.47 Re. 1/-	396.47 Re. 1/-	396.47 Re. 1/-	396.47 Re. 1/-
15. Reserves excluding revaluation reserves						24,009.89
16. i & ii EPS for the period (Rs) - Basic and diluted before and after extraordinary items	3.26	4.23	4.69	12.30	14.18	18.33
	(Not annualised)					(Annualised)

PART-II

SELECT INFORMATION FOR THE QUARTER ENDED 31-12-2012

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-12	30-Sep-12	31-Dec-11	31-Dec-12	31-Dec-11	31-Mar-12
A. PARTICULARS OF SHAREHOLDING						
1. Public shareholding						
- Number of Shares	792,769,420	396,297,820	396,297,820	792,769,420	396,297,820	396,297,820
- Percentage of shareholding	20	10	10	20	10	10
2. Promoters and Promoter group shareholding						
a) Pledged / Encumbered						
- Number of Shares	-	-	-	-	-	-
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-	-
- Percentage of shares (as a % of the total share capital of the company)	-	-	-	-	-	-
b) Non Encumbered						
- Number of Shares	3,171,946,580	3,568,418,180	3,568,418,180	3,171,946,580	3,568,418,180	3,568,418,180
- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100	100	100	100	100	100
- Percentage of shares (as a% of the total share capital of the company)	80	90	90	80	90	90

Particulars	Three Months ended 31-Dec-2012
B. INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	NIL
Received during the quarter	34
Disposed of during the quarter	34
Remaining unresolved at the end of the quarter	NIL

SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED UNDER CLAUSE 41 OF THE LISTING AGREEMENT (Rs. in Crore)

Particulars	Unaudited					Audited
	Three months ended			Nine months ended		Year to date
	31-Dec-12	30-Sep-12	31-Dec-11	31-Dec-12	31-Dec-11	31-Mar-12
1. Segment Revenue						
(net sale / income from each segment)						
a) Iron Ore	2,032.08	2,598.33	2,812.92	7,442.66	8,636.06	11,204.56
b) Other Minerals & Services	29.39	26.55	21.41	98.69	58.85	94.33
Total	2,061.47	2,624.88	2,833.43	7,541.35	8,694.91	11,298.89
Less: Inter segment revenue	13.78	12.90	11.25	41.33	27.60	37.00
Net sales / income from operations	**2,047.69**	**2,611.98**	**2,822.18**	**7,500.02**	**8,667.31**	**11,261.89**
2. Segment Results						
(profit (+) / loss (-) before tax and interest from each segment)						
a) Iron Ore	1,392.57	1,925.47	2,275.38	5,608.67	6,984.28	8,993.64
b) Other Minerals & Services	9.22	17.34	-1.20	42.24	-2.69	-42.15
Total	1,401.79	1,942.81	2,274.18	5,650.91	6,981.59	8,951.49
i) Less Finance Cost - Interest	0.00	0.00	0.00	0.00	0.00	-1.48
ii) Add : Other unallocable income net off unallocable expenditure	511.86	541.97	477.46	1,568.90	1,338.64	1,809.46
Total Profit before Tax	**1,913.65**	**2,484.78**	**2,751.64**	**7,219.81**	**8,320.23**	**10,759.47**
3. Capital Employed						
(Segment assets - Segment Liabilities)						
a) Iron Ore				2,997.19	1,764.20	2,214.12
b) Other Minerals & Services				109.27	129.14	78.87
c) Other offices				25,349.67	22,585.64	22,203.38
Total				**28,456.13**	**24,478.98**	**24,496.37**

NOTES:

1. The above financial results have been reviewed by the Audit Committee at its meeting held on 13-Feb-2013 and approved by the Board of Directors at its meeting held on 13-Feb-2013.
2. The Board of Directors has approved in its meeting held on 13-Feb-2013, a second interim dividend of Rs.1.00 per equity share of Rs.1/-, for the financial year 2012-13. With this for the current financial year, the total interim dividend declared by the company is Rs.3.00 per equity share.
3. During the quarter, the Central Government holding in the company has come down from 90% to 80% as the Government has divested 10% of its holding in the Company.
4. As per the Hon'ble Supreme Court order dated 23/09/2011, the iron ore of Donimalai complex, Karnataka is being e-auctioned with effect from 04/10/2011 by the Monitoring Committee (MC) constituted by the CEC of the Supreme Court. Pending settlement of various issues by the Hon'ble Supreme Court, the sales have been accounted as per the normal practice.
5. Action is on hand to sell the unit of Silica Sand Project, Lalapur. The net profit after tax from the discontinued operations of Lalapur and UPFO units for the nine months period ending Rs. 1.99 cr (Previous period Rs.-0.08 cr) is included in the above results.
6. Figures for the previous period have been regrouped wherever considered necessary so as to conform to the classification of the current period.

For and on behalf of
NMDC LIMITED

Sd/-
(C.S. VERMA)
Chairman-cum-Managing Director

Place: Hyderabad
Date: 13-Feb-2013

NMDC Limited
(A Government of India Enterprise)
Regd. Office: "Khanij Bhavan", 10-3-311/A, Castle Hills, Masab Tank, Hyderabad-500 028.

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4,000 participants to develop an app within 24 hours. She produced one called Danceomania, a compilation of many dance forms with their specifications. That, in turn, led to her selection as an intern at Microsoft's App Excellence Labs in Hyderabad. She is now a Microsoft Student Partner, part of a global initiative in which the students chosen spread awareness about new technologies such as app development. Kasturi, who has also developed a quiz app called Predict Your Baby, says the apps she is working on now will be more interactive.

To be sure, many a time, there is not much money in app development. Kasturi says she initially priced her dance app at ₹70 on the Windows app store. At that price it got just two downloads a week. "The moment I made it free on the store, it got 300 downloads in a single day," she says. It is important to market the app on social networking sites such as Facebook, get people to review it and talk about it. "Only then can you monetize it," she adds.

Anshul Gupta, Principal Analyst at global technology research firm Gartner, agrees. "Making money is very, very tough," he says. Which are the apps that do? "One has to see if the app addresses one of the pain areas of the consumer," he adds.

That is exactly what Bangalore engineering student Ahmed Shahib did. Ahmed, 20, made an app to help his sister prepare for Spelling Bee, a national spelling contest. He put together a list of words, along with their meanings, synonyms and antonyms, in a readily accessible form, so she could go through them any time. He has also made a multi-language chat app for Windows Phone that automatically converts messages to the user's preferred language.

Perhaps the most useful of Ahmed's apps is Search Skill, a GPS location-based app that helps users find carpenters, plumbers or even maids for household work. "My job is to make cool apps," says Ahmed, whose first app was an Android-based music app in 2009 which could play drums. "But you need to have very good ideas. Otherwise, it's not worth it."

No doubt making money from apps is still a problem, but there is more support now than ever before for young developers. For once, investors have started looking at the new-age business. A Venture Intelligence report suggests that mobile app development is one of the most favoured sectors for private-equity and venture-capital investors. "India is beginning to have an early-stage funding ecosystem, which will boost entrepreneurship," says Google India Managing Director Rajan Anandan. "The West has seen a lot of successful entrepreneurs at a really early age. This will soon happen in India too." ◆

Fast track: Kasturi Shrivastava's 'Danceomania' app, presented at a contest, saw her chosen as an intern at Microsoft's App Excellence Labs

G. KESHAV RAJ

Send your comments to editor.bt@intoday.com

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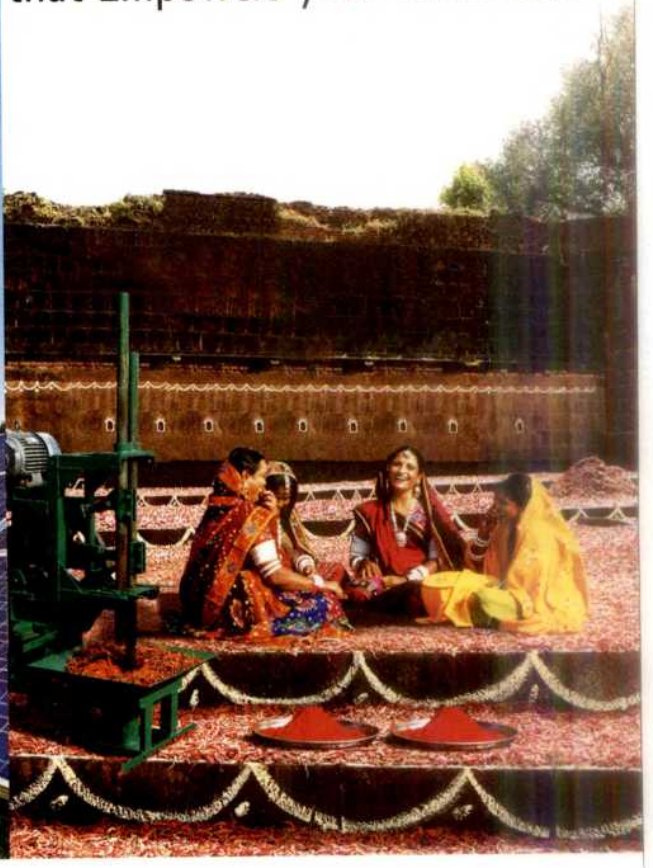

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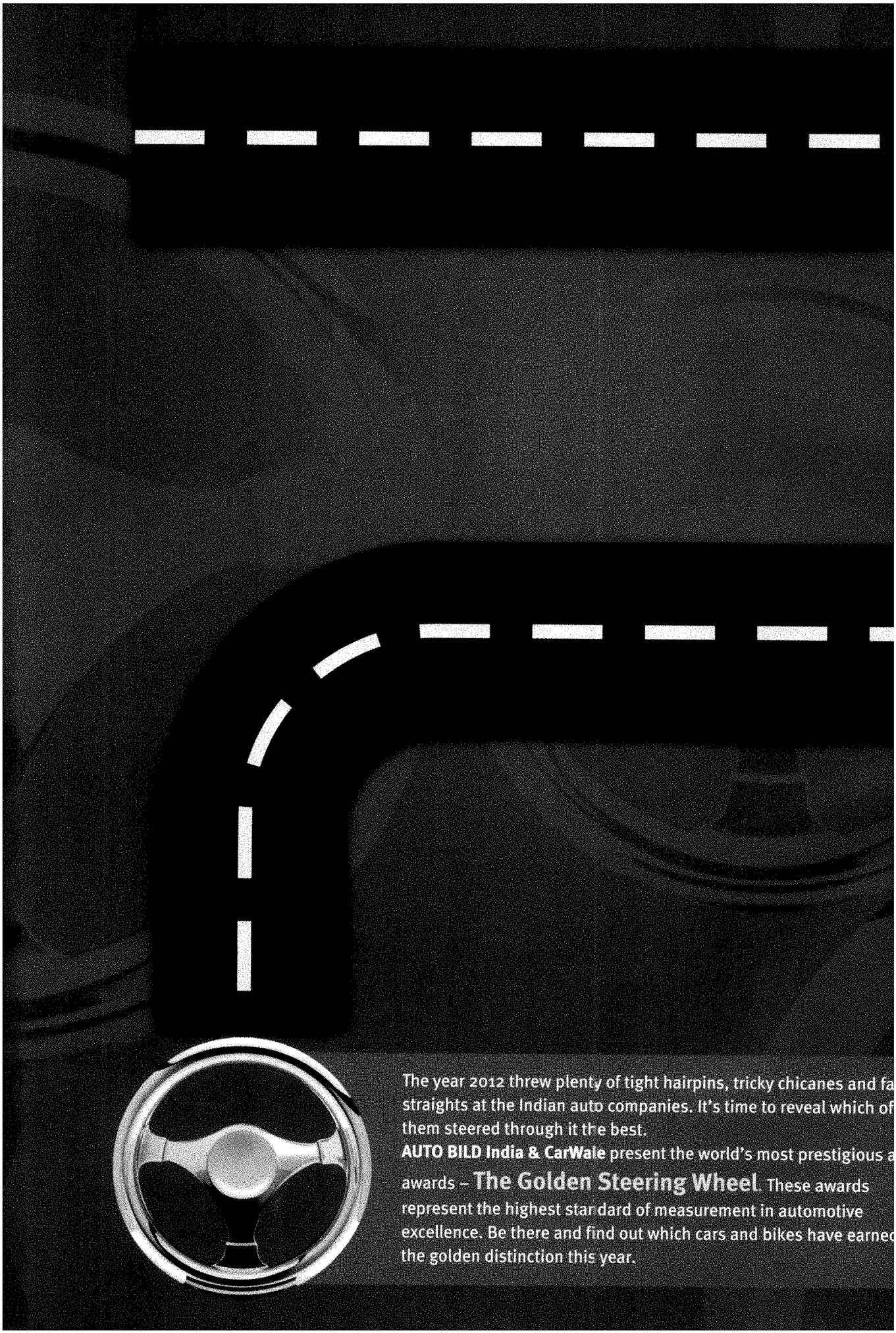

The year 2012 threw plenty of tight hairpins, tricky chicanes and fa straights at the Indian auto companies. It's time to reveal which of them steered through it the best.

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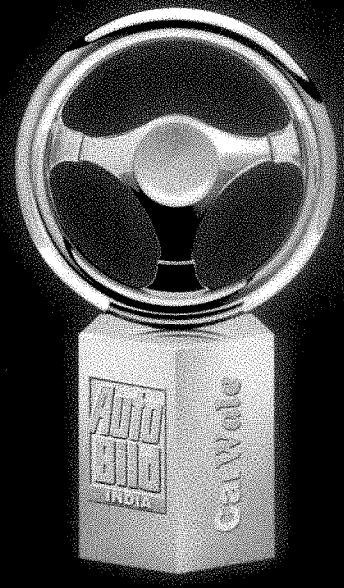

THE GOLDEN STEERING WHEEL

March 20, 2013

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HEADLINES TODAY

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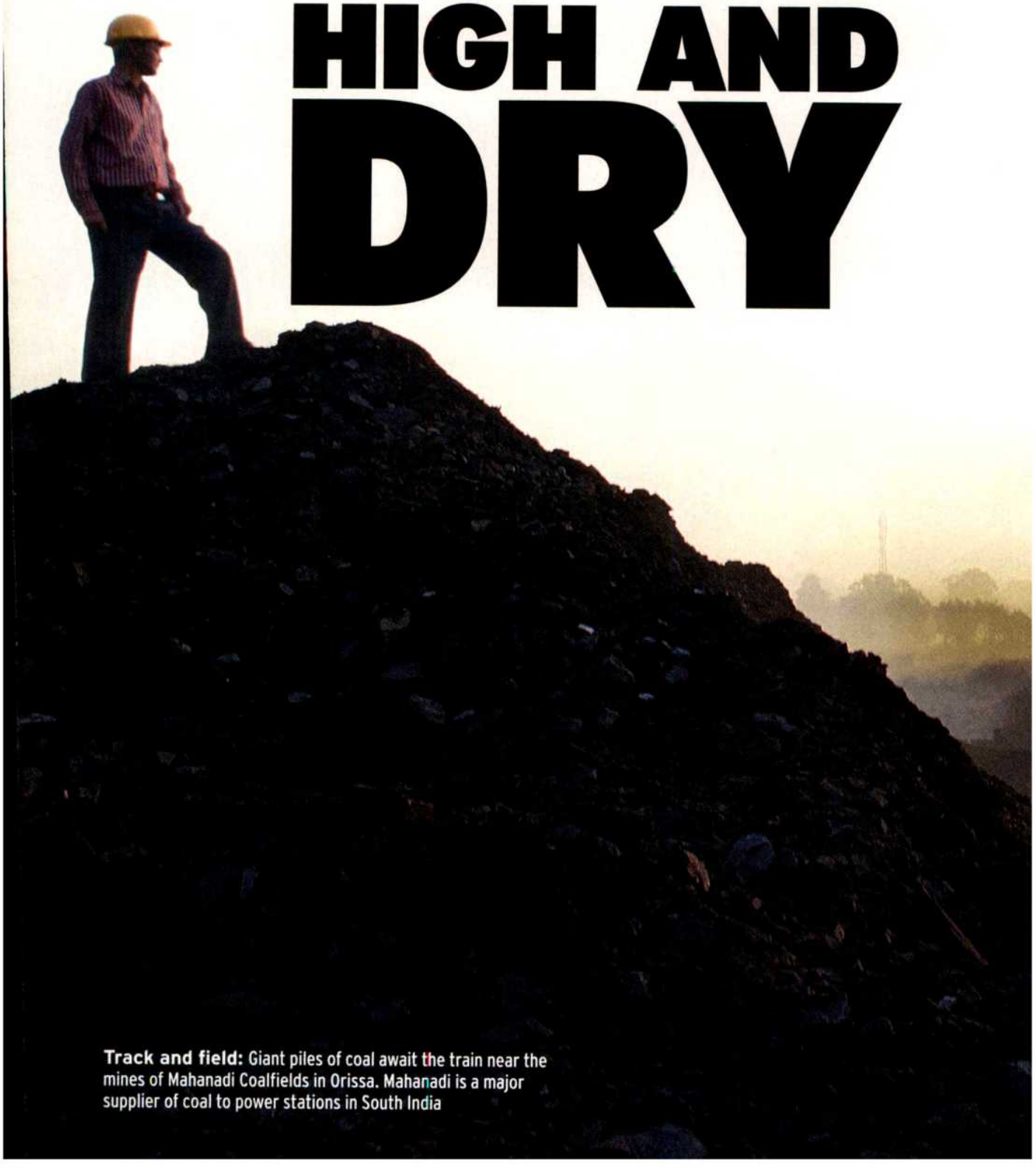
Between India's massive coal and iron ore reserves, and its power stations and steel plants, is a poor railway network. By E. KUMAR SHARMA

HIGH AND DRY



Track and field: Giant piles of coal await the train near the mines of Mahanadi Coalfields in Orissa. Mahanadi is a major supplier of coal to power stations in South India

Some 17 million tonnes of coal are lying on the ground at Mahanadi Coalfields, a Coal India Ltd subsidiary in Orissa. At a power plant, they could generate enough power to light up a city the size of Delhi for about eight months. It's not an unusual sight: coal piled up for kilometres along railway lines near coalfields, waiting for the train – if there is one. At any given point in time, enough coal is piled up to power an entire state for almost a year.

S. Narsing Rao, Chairman and Managing Director of Coal India, which produces some 80 per cent of the coal mined in the country, says new railway lines could make a 300-million-tonne difference to the annual coal supply. "All we need to be self-sufficient in thermal coal is just three railway lines of a little over 300 km of additional rail connectivity," he says. He is alluding to a 100-km stretch in Jharkhand, a 50-km link in Orissa, and a 180-km one in Chhattisgarh.

It is ironic that shifting a resource from the point of production to the consumer is an issue in the country with the world's fourth largest coal reserves and sixth largest iron ore reserves. India is the world's third largest producer and consumer of coal.

The impact on power generation is a stark example of how the inadequate rail network holds up economic activity, but it is just part of the picture. According to ICRA Management Consulting Services (IMaCS), the power sector accounts for 70 to 72 per cent of the country's total demand for coal, steel for 11 per cent, and cement for five. Most of the demand for imported coal comes from power and steel. Of Coal India's

In depth: 200 metres under the ground at Orient Collieries in Jharsuguda district, Orissa

supply, approximately 72 per cent goes to the power sector, one per cent to steel, and 1.5 per cent to the cement industry. About a quarter of the supply goes to industries such as brick-making, fertilisers, and paper.

A railway official who does not want to be identified says coal is not the only commodity to suffer transport bottlenecks. "We also have steel, iron ore, foodgrain, fertilisers and several other items," he says. However, he adds that the issue is not just of adding a line, but of continuous investment in strengthening the railway network so it can handle bigger loads. "Without strengthening the network, adding a line only means adding a bottleneck," he says.

Amar Singh, Chairman and Managing Director, Food Corporation of India (FCI), says connectivity is not the problem. "About 90 per cent of foodgrain movement is by rail," he says. But FCI faces a crunch between October and March, when demand from other commodities such as fertilisers, cement and coal, rises. More importantly, poor facilities hamper operations. Singh says loading and unloading require a paved platform with good lighting, security and space for trucks. The lack of some of these features increases the loading or unloading time by 25 to 50 per cent. Because Indian roads cannot handle huge vehicles with a capacity of 40 or 50 tonnes, trucks are usually of nine-tonne capacity, leading to congestion and gridlock.

C.S. Verma, Chairman, Steel Authority of India Ltd (SAIL), who also holds additional charge as the Chairman and Managing Director of the National Mineral Development Corporation, says the supply of iron ore is not the problem. He says India's steel production – around 75 million tonnes – requires around 120 million tonnes of iron ore a year, and India produces 160 to 170 million tonnes of ore a year. "The problem is ... how we dispatch the iron ore to the steel producer," says Verma.

"New railway lines adding up to a little over 300 kilometres could make a 300-mn tonne difference to the country's annual coal supply"

S. NARSING RAO
Chairman & Managing Director, Coal India Ltd

The lack of a sense of urgency may be only part of the explanation. Coal India's Rao says the issue of rail connectivity was raised in Jharkhand as far back as 1999. Work began on new railway lines, and Coal India paid an advance to Indian Railways, but progress has been slow. The delay is not because of the railways alone, according to Rao. "There has been a combination of factors, with issues of forest diversion, land acquisition, law and order problems," he says. "It has taken 13 years and still it is nowhere near completion."

In 2011/12, roughly half of Coal India's annual supply of 443 million tonnes was transported by train. Another 26 per cent was transported by road. Another 18 per cent was moved using the 'Merry-Go-Round' system, which refers to exclusive rail services between a coal mine and power plant. The remainder – less than three per cent of total supply – was transported by other means. As roads are far from adequate to haul large quantities of coal over long distances, the railways are the only hope.

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The need to strengthen the rail network is not only urgent but growing fast. To achieve its annual target of 615 million tonnes for the current five-year plan, Coal India will need to produce and distribute roughly an additional 180 million tonnes a year.

Fuel transportation needs will only increase. Industry estimates indicate that the country needs to increase its annual power output by between 12,000 and 15,000 MW every year. Given that some 80 per cent of India's power is generated using coal, the additional demand for coal-based power works out to 10,000 MW, which means an additional output of 50 million tonnes of coal a year for power alone.

"This year was an unusual year," says Coal India's Rao. "The railways put in their best and supported through better rake availability, and we may end the year by adding about 37 million tonnes." This addition would raise the total supply figure for 2012/13 to 470 million tonnes. But it is still far short of the five-year plan target. "Even at 45 million tonnes [addition in a year], we can barely meet the increasing demand, as there is a gap of about 150 million tonnes," he says. "We need to bridge this gap and add 50 million tonnes each year."

Girish Pillai, adviser (infrastructure) to the Indian Railways board, says: "We have a large shelf of sanctioned projects ... to be completed. There are approved projects worth over ₹1,40,000 crore." Funding is a major issue, he says. To address this, the railways are working on new funding models, and announced a plan last December in which one proposal was that the consumer – the coal company in this case – pays to build the line. The average cost of laying a railway line is ₹8 crore to ₹10 crore per kilometre.

But the burden may have to be borne by Coal India, whose consumers are already bearing the cost of supply shortages. For instance, the Karnataka State Electricity Board, which depends on Mahanadi Coalfields for around 30 per cent of its coal supply, has to depend on expensive imported coal. The Tamil Nadu and Andhra Pradesh state electricity boards, too, are forced to rely on imports.

The Andhra Pradesh Generation Corporation (APGENCO, the state power generating company) for instance, is supposed to get half its coal from Mahanadi, and the rest from Singareni Collieries in Andhra Pradesh. But Mahanadi meets only about two-thirds of its commitment, says T. Prabhakar Rao, director for coal and logistics at APGENCO. His company has been importing around five per cent of its total requirement since 2008. "We have to resort to expensive coal purchases through the e-auction route at Singareni and through imported coal," he adds.

Because imported coal is of better quality, a million tonnes is equivalent to 1.8 million of domestic coal, but at nearly ₹5,000 a metric tonne, imported coal costs almost twice as much as domestic coal. APGENCO's Rao says his company's import bill is around ₹800 crore a year.

The demand for coal in coal-based power plants in India is estimated to grow seven per cent a year, and to exceed supply by 266 million tonnes in 2016/17, according to IMaCS. Although a large chunk of India's coal needs will continue to be met domestically, the share of imports is expected to increase to 27 per cent in 2016/17.

According to IMaCS, growth in demand for coal has outpaced production in India, and this, combined with the poorer quality of domestic coal and other factors, has meant that India's coal imports accounted for around 16 per cent of domestic consumption, up from 7.1 per cent in 2002/03.

Better railways could spur economic activity and cut import bills. But for now, millions of tonnes of coal wait by the train tracks. ◆

WHY THE URGENCY?

COAL

Problem

Power shortage: Overall energy shortage for 2012/13 is at 9.3%, and peak shortage at 10.6%. For the southern region, the figures are higher, at 19.5% and 26.3%.

Power production needed: 12,000 - 15,000 MW additional demand expected every year

Coal requirement: Additional demand of around 50 mn tonnes every year

Solution

Immediate solution: Focus on moving coal, increase rail connectivity

Medium-term solution: Streamline land acquisition and forest clearance processes

IRON ORE

Problem

Total steel production: Around 75 mn tonnes a year

Demand for iron ore: Some 120 mn tonnes

Iron ore production: Around 160 mn tonnes usually. This year, 100 mn tonnes were produced, as operations had been shut in Goa and Karnataka

Solution

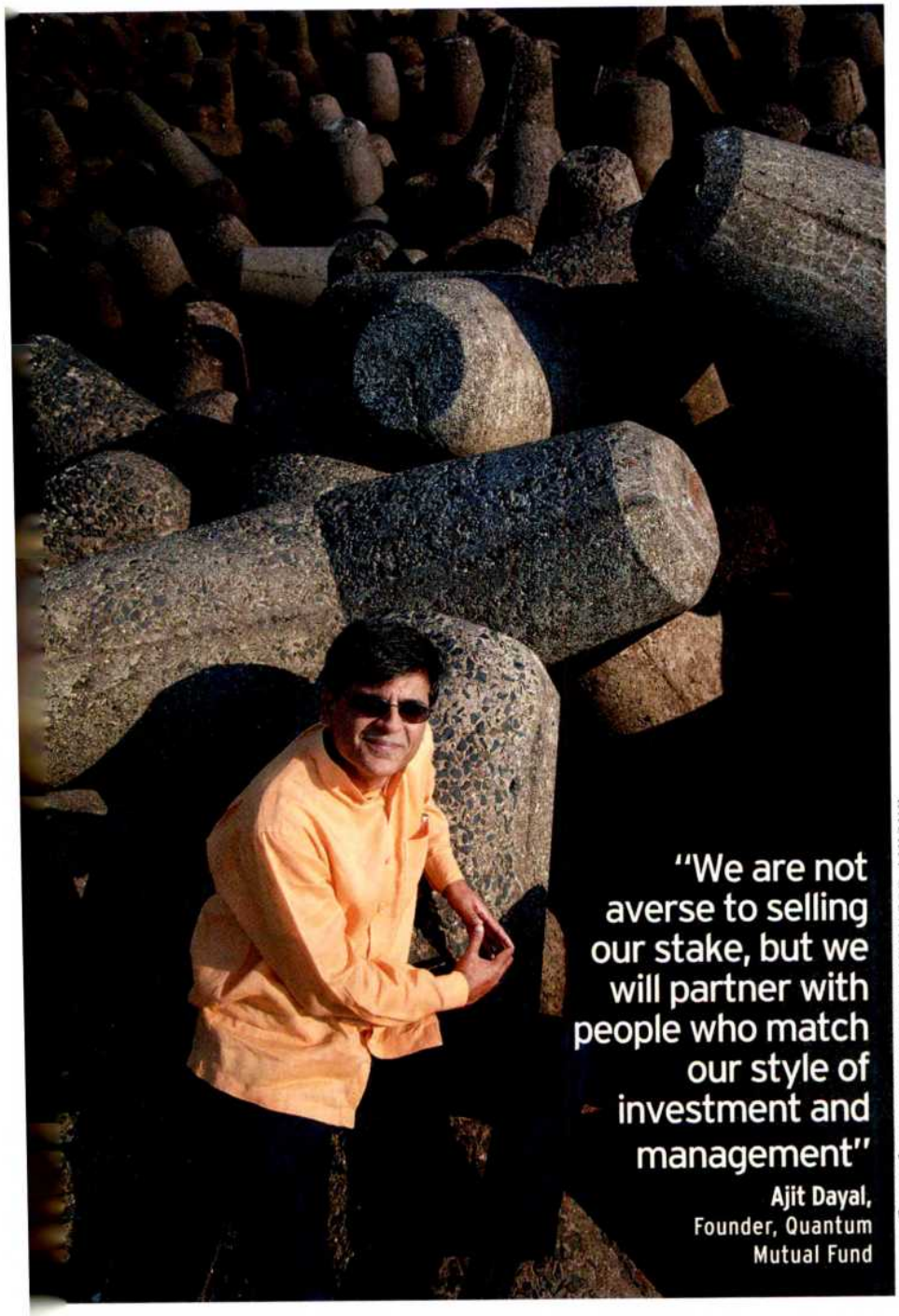
Immediate solution: Better rail connections to move ore from mines to plants

Long-term solution: Increase iron ore production capacity

Source: Industry estimates

Contrarian Wisdom

Though the mutual fund industry is struggling, Quantum's smart approach has seen it reap quick profits. But will the good times last? By MAHESH NAYAK



"We are not averse to selling our stake, but we will partner with people who match our style of investment and management"

Ajit Dayal, Founder, Quantum Mutual Fund

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

When Ajit Dayal launched Quantum Mutual Fund (Quantum MF) in 2005, he chose to junk conventional practice. He did not chase assets under management (AUM), but instead focused sharply on performance and profitability. His most radical decision, however, was choosing not to sell his funds through distributors. Instead, he built his own marketing and sales team. This was virtually unheard of then in the Indian mutual fund industry.

But Dayal, formerly chief investment officer with the first foreign mutual fund in India, Jardine Fleming, knew what he was doing. And his strategy has paid dividends so far – the Quantum fund earned a profit in its fourth year in 2009 and broke even by 2012 (See *Rapid Progress*). "Today we have investors in every state of India," says Jimmy Patel, CEO, Quantum MF. And this has been achieved at a time when most mutual fund companies are struggling to sell their products. Worst off are the small mutual funds, most of which are making losses.

One of Quantum's schemes has been particularly successful – the flagship Quantum Long-term Equity Fund (QLTEF), which recorded 35 per cent annual returns in the past three years compared with 12 per cent by the BSE Sensex. Quantum launched QLTEF in March 2006, with 25 employees, raising ₹11 crore from 780 investors. Since then QLTEF's AUM has grown steadily – as on December 31, 2012, it stood at ₹150 crore with an investor-base of 13,000 investors and 135 employees. For the last three

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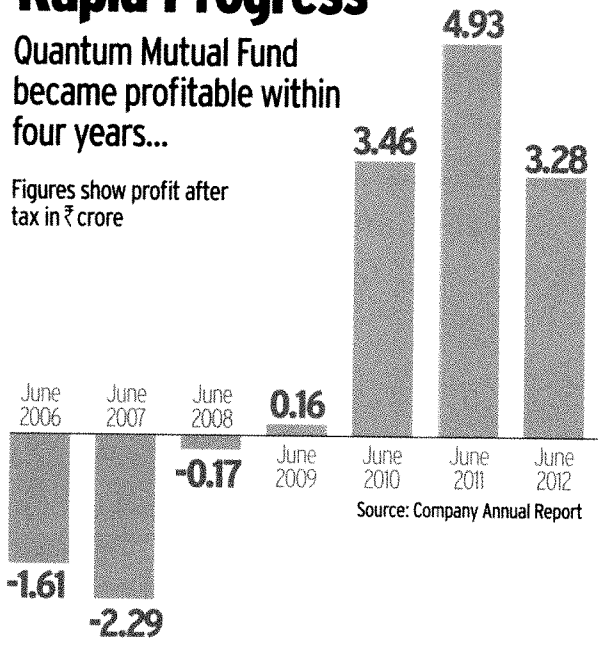
Rapid Progress

Quantum Mutual Fund became profitable within four years...

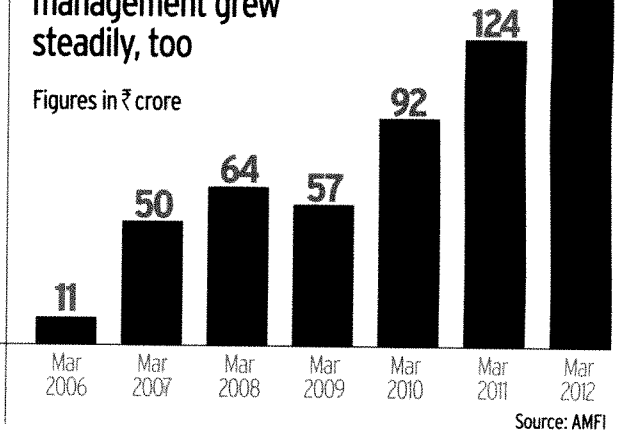
Figures show profit after tax in ₹ crore



Source: Company Annual Report

... and its assets under management grew steadily, too

Figures in ₹ crore



Source: AMFI

years, it as been in the top quartile of the large-cap and mid-cap categories. "The fund can be a good core holding of any investor's portfolio," says Dhirendra Kumar, CEO of mutual fund tracking firm, Valueresearch.

The Quantum group operates three structures – the mutual fund, a portfolio management service and a Mauritius-based fund for foreign institutional investors (Quantum India Equity Fund). In all, the mutual fund business has eight schemes across asset classes such as equity, debt and gold. Managing equities, though, is its core competence.

No doubt, almost 90 per cent of Quantum MF's revenues still come from providing research to its FII fund which manages a corpus of $1.5 billion. But its own overall AUM has also been growing steadily, touching ₹191 crore in March 2012. Industry experts claim that mutual funds need AUM of more than ₹9,000 crore to break even, since the higher the AUM, the higher the revenue from operations, boosting profits. But here too, Quantum MF has bucked the trend.

Dayal's two-decade experience as a fund manager is the main reason for Quantum's profitability. Apart from working for Jardine Fleming, he has also advised a number of other foreign institutional firms such as Vanguard and Hansberger. "One of the things we learnt from Jardine Fleming was how not to do things. Hansberger taught us how to refine the research process and make more money for clients," he says.

The equity portfolio in all the three structures Dayal runs is similar. The flagship QLTEF portfolio of Quantum MF resembles that of the portfolio management service and the FII fund. "Our investment strategy is the same for FII and retail funds," says I.V. Subramanian, Director, Quantum MF. Quantum so far has offices only in Mumbai, but intends to soon expand setting up more offices in the bigger Indian cities, increasing its manpower and the number of its funds.

The impressive performance of Quantum MF has made it a potential takeover target for the larger mutual funds, but talks with suitors have failed to make headway so far. "We are not averse to selling some of our stakes, but we will partner with people who match our style of investment and management, which includes direct selling of funds to investors," says Dayal.

Some industry experts, however, feel that Dayal maverick management style could work against the company's interests in the future. "We don't advise Quantum funds to our clients. This is because Quantum does not talk to us about its investment philosophy and objectives," says Renu Pothen, Head of Research at Fundsupermart, a mutual fund advisory firm.

Some also feel that, far from helping it, staying away from distributors has slowed Quantum's growth. Dayal has justified his decision on the grounds that distributors mislead investors by mis-selling products. "Badmouthing distributors was a big mistake. He thought he could garner ₹10,000 crore by going direct and then sell his fund, but that hasn't worked," says an industry veteran on condition of anonymity.

The bulk of Quantum MF's revenues may currently be coming from servicing the group's overseas fund, but Dayal's ambition is to make the India business bigger than offshoring in the next five to 10 years. But for that to happen, Quantum might have to make inroads into asset classes other than equities. ◆

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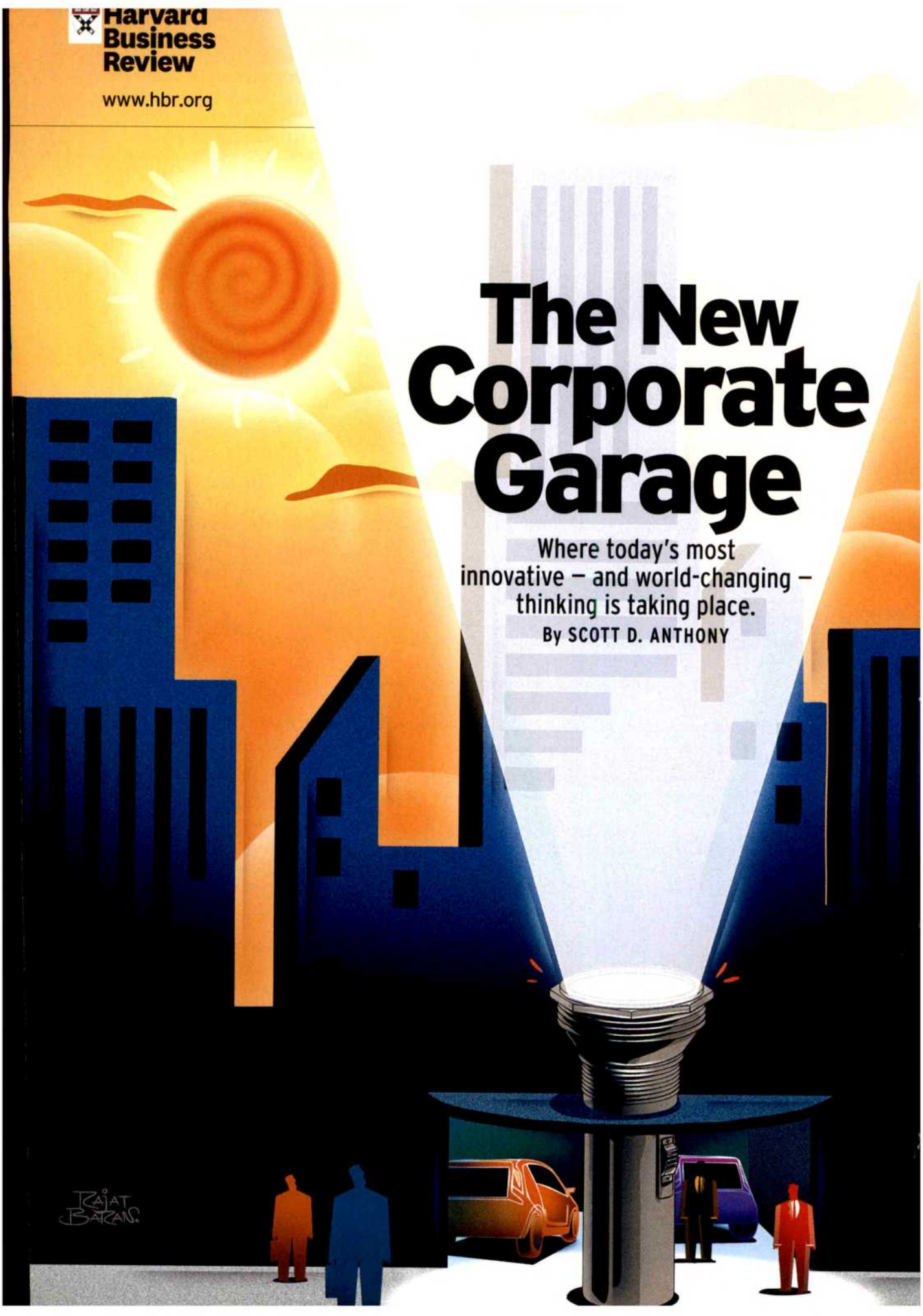
The New Corporate Garage

Where today's most innovative – and world-changing – thinking is taking place.

By SCOTT D. ANTHONY



QUICK: List the big companies that have launched paradigm-shifting innovations in recent decades. There's Apple – and, well, Apple. The popular perception is that most corporations are just too big and deliberate to produce game-changing inventions. We look to hungry entrepreneurs – the Gateses, Zuckerbergs, Pages, and Brins – instead. The rise of fast, nimble, and passionate venture-capital-backed entrepreneurs seems to have made slow-paced big-company innovation obsolete, or at least to have consigned it to the world of incremental advances. But Apple's inventiveness is no anomaly; it indicates a dramatic shift in the world of innovation. The revolution spurred by venture capitalists decades ago has created the conditions in which scale enables big companies to stop shackling innovation and start unleashing it.

Three trends are behind this shift. First, the increasing ease and decreasing cost of innovation mean that start-ups now face the same short-term pressures that have constrained innovation at large companies; as soon as a young company gets a whiff of success, it has to race against dozens of copycats. Second, large companies, taking a page from start-up strategy, are embracing open innovation and less hierarchical management and are integrating entrepreneurial behaviours with their existing capabilities. And third, although innovation has historically been product- and service-oriented, it increasingly involves creating business models that tap big companies' unique strengths.

It's early days still, but the evidence is compelling that we are entering a new era of innovation, in which entrepreneurial individuals, or "catalysts," within big companies are using those companies' resources, scale, and growing agility to develop solutions to global challenges in ways that few others can. As the stories that follow show, these companies have pushed into territory that was once the province of entrepreneurs, NGOs, and governments –from delivering health care technology, clean water, and new agricultural capabilities in developing countries to managing energy, traffic, public transit, and crime in the world's major cities. Before looking at how catalysts drive such invention inside their companies, it's important to appreciate the three historical periods that brought us to the present age – the fourth era of innovation.

A Brief History of Innovation

The first era of innovation – that of the lone inventor – encompassed much of human history. Innovators occasionally formed or latched on to companies to exploit the full potential of their ideas, but most seminal innovations developed before about 1915 are closely associated with the individuals behind them: Gutenberg's press. Whitney's cotton gin. Edison's lightbulb. The Wright brothers' plane. Ford's assembly line (actually as much a business model as a technology).

With the perfection of the assembly line, a century ago, the increasing complexity and cost of innovation pushed it out of individuals' reach, driving more company-led efforts. A combination of longer-term perspectives and less stifling corporate bureaucracies meant that many organisations would happily tolerate experimental efforts. Thus the heroes of this second era worked in corporate labs, and corporations evolved from innovation exploiters into innovation creators. Many of the notable commercial inventions of the next 60 years came from these labs: DuPont's miracle molecules (including nylon); Procter & Gamble's Crest, Pampers, and Tide brands; the U-2 spy plane and SR-71 Blackbird fighter jet from Lockheed Martin's famed Skunk Works.

The seeds of the third era were planted in the late 1950s and the 1960s, as companies started to become too big and bureaucratic to handle at-the-fringes exploration. The restless individualism of baby boomers clashed with increasingly hierarchical organisations. Innovators began to leave companies, band with like-minded "rebels", and form new companies. Given the scale required to innovate, however, these rebels needed

THE INCREASING EASE AND DECREASING COST OF INNOVATION MEAN THAT AS SOON AS A YOUNG COMPANY GETS A WHIFF OF SUCCESS, IT HAS TO RACE AGAINST DOZENS OF COPYCATS

new forms of funding. Hence the emergence of the VC-backed start-up. The first publicly owned venture capital organisation was General Georges Doriot's American Research and Development Corporation, whose $70,000 investment in Digital Equipment Corporation in 1957 was worth $355 million when DEC went public in 1968. The third era came into its own in the 1970s, with the establishment of Kleiner Perkins Caufield & Byers and Sequoia Capital. These and similar institutions helped to support the formation of Apple, Microsoft, Cisco Systems, Amazon, Facebook, and Google. Life became even harder for innovators in big companies as the capital markets' expectations for short-term performance grew.

The technologies birthed during this era and the globalisation of world markets have dramatically accelerated the pace of change. Over the past 50 years corporate life spans by some measures have decreased by close to 50 per cent. Back in 2000, Microsoft was an unstoppable monopoly, Apple was playing at the fringes of the computer market, Facebook founder Mark Zuckerberg was a student at Phillips Exeter Academy, and Google was a technology in search of a business model.

This breathless pace, and the conditions and tools that enable it, bring us to the fourth era – when corporate catalysts can have a transformational impact. Whereas the inventions that characterised the first three eras were typically (but not always) technological breakthroughs, fourth-era innovations are likely to involve business models. One analysis shows that from 1997 to 2007 more than half of the companies that made it onto the *Fortune* 500 before their 25th birthdays – including Amazon, Starbucks, and AutoNation – were business model innovators.

Today it's easier than ever to innovate, which may suggest that it's an ideal time to start a business. After all, a wealth of low- or no-cost online tools, coupled with hyperconnected markets, put innovation capabilities into the hands of the masses and allow ideas to rapidly spread. For many start-ups, $25,000 is sufficient to launch a fully formed business, as the incubator Y Combinator and its numerous copycats show. These early-stage funders have helped launch promising new companies such as Dropbox, Airbnb, Xobni, Scribd, Hipmunk, and many more.

But surprisingly, the ease and pace of innovation that now aid entrepreneurs can also work against them. In the past, although growth markets attracted multiple entrants (by one count, Google was the 18th significant contender in the search-engine space), competition was less frenzied, giving start-ups time – often years – to develop difficult-to-replicate assets. And companies that clearly weren't going to make it promptly folded, releasing top talent into the market. Today young companies have what feels like milliseconds to enjoy an early success before they need to start outspending imitators and fighting for talent.

Consider the "daily deal" space. By some accounts, Groupon reached $1 billion in revenue faster than any other company in history. But dozens of instant copycats put it on the defensive – and lower fixed costs today mean those contenders can linger far longer. Groupon may succeed in spending its challengers into retreat, but hypercompetition, coupled with shortening development cycles, makes it harder than ever for start-ups to create enduring competitive advantage. In other words, they are increasingly vulnerable to the same capital-market pressures that plague big companies – but before they've developed lasting corporate assets.

Medtronic's Healthy Heart

In contrast to this fearsome position, consider the enabling environment Medtronic encountered in an innovative effort called Healthy Heart for All. Medtronic is as far from a start-up as one can imagine: Founded in the late 1940s, it is today the world's largest stand-alone medical device manufacturer, with $16 billion in revenue, and is best known for its implantable pace-

WHAT GIVES BIG COMPANIES AN ADVANTAGE?

Giants like Medtronic, Unilever, Syngenta, and IBM have advantages that start-ups would find hard to replicate. They include:

Global Infrastructure
Whereas Internet-based offerings are easy to distribute, physical products and face-to-face services require infrastructure (particularly "last mile" distribution channels). Big companies use theirs to establish footholds and expand distribution quickly.

Strong Brand Reputation
The gatekeepers between an idea and an end user – in Medtronic's case, hospital purchasing agents, government regulators, and influential doctors – often feel hesitant about products and services offered by new companies. A strong brand helps a large company sail past those gatekeepers.

Partner Relationships
Large companies can easily acquire best-of-breed partners to support an idea.

Scientific Knowledge
Dedicated teams of experts inside corporations produce difficult-to-replicate knowledge that is often protected by patents.

Experience with Regulators
Increased government intervention in markets presents roadblocks to start-ups that haven't had to deal with officials in a number of sectors.

Process Excellence
As their operations grow, start-ups hit predictable speed bumps that big companies can avoid.

makers and defibrillators. The Healthy Heart programme seeks to bring pacemaker technology to hundreds of thousands of Indians who desperately need it.

In late 2010 I visited The Mission Hospital (TMH) in Durgapur, a modest town by Indian standards (population about one million), nestled in India's northeast corner, near Bangladesh. During my visit I saw a pilot of Medtronic's innovative business model in action. The company had drawn on pioneering Indian health care models, such as Aravind Eye Care System's affordable cataract care, to help TMH design new ways to serve low-income patients. Heart disease is prevalent in India but diagnosis is not, so Medtronic created diagnostic camps to identify potential patients. I saw one camp in a rural village where technicians used low-cost electrocardiogram machines to screen dozens of people in an afternoon and wirelessly send their ECGs to be read by doctors hundreds of miles away. Insurance is still rare in India, so Medtronic had to make its pacemaker more affordable. It worked with a local partner to create India's first financing plan for medical devices.

No new technology was involved here – and that's the point. Medtronic used business model innovation to enter markets formerly out of its reach. It follows in the footsteps of Vodafone (M-Pesa mobile payment service in Africa), Dow Corning (Xiameter online channel), and Hilti (tool fleet management services) as a market leader using a new model to power growth.

Healthy Heart's first implant occurred in September 2010. Over the subsequent 18 months, pilot programmes in a handful of hospitals screened thousands of patients who previously would not have been diagnosed, let alone treated, and provided vital in-market learning. Though the total number of implants is still relatively small – approximately 50 to date – the pilots have demonstrated the model's promise. On the basis of this early success, the company plans to scale up the programme across India and then in other emerging markets. The effort also positions Medtronic to dramatically expand in those markets as it develops new technologies that lower costs. (CEO Omar Ishrak has announced a goal of radically reducing the cost of a simple pacemaker.)

Think about the challenges that

Four Innovation Catalysts

KEYNE MONSON
MEDTRONIC
Healthy Heart for All provides cardiac diagnostic services and financing to bring pacemakers to people who previously could not access them.

Thousands have been screened in pilots, and dozens of pacemakers have been implanted. Plans involve scaling up across India and other emerging markets.

YURI JAIN
UNILEVER
Pureit, a portable water purification system, provides safe water at half a cent per litre.

Millions of units have been sold throughout India. The goal is to provide clean water to 500 million people.

NICK MUSYOKA
SYNGENTA
Uwezo crop-protection chemicals and seeds use the sachet distribution model plus supportive education and training to drive adoption by smallholders.

Sales in Kenya are forecast at $6.5 million for 2012. Plans are under way to expand to other countries in Africa and Asia.

COLIN HARRISON
IBM
Smarter Cities bundles technology and related services to help cities efficiently manage energy, water, traffic, parking, public transit, and crime.

A Stockholm project reduced carbon emissions by 17 per cent and traffic delays by 50 per cent. Projects have been completed in at least seven other cities.

RAJAT BARAN

INDIA TODAY CONCLAVE

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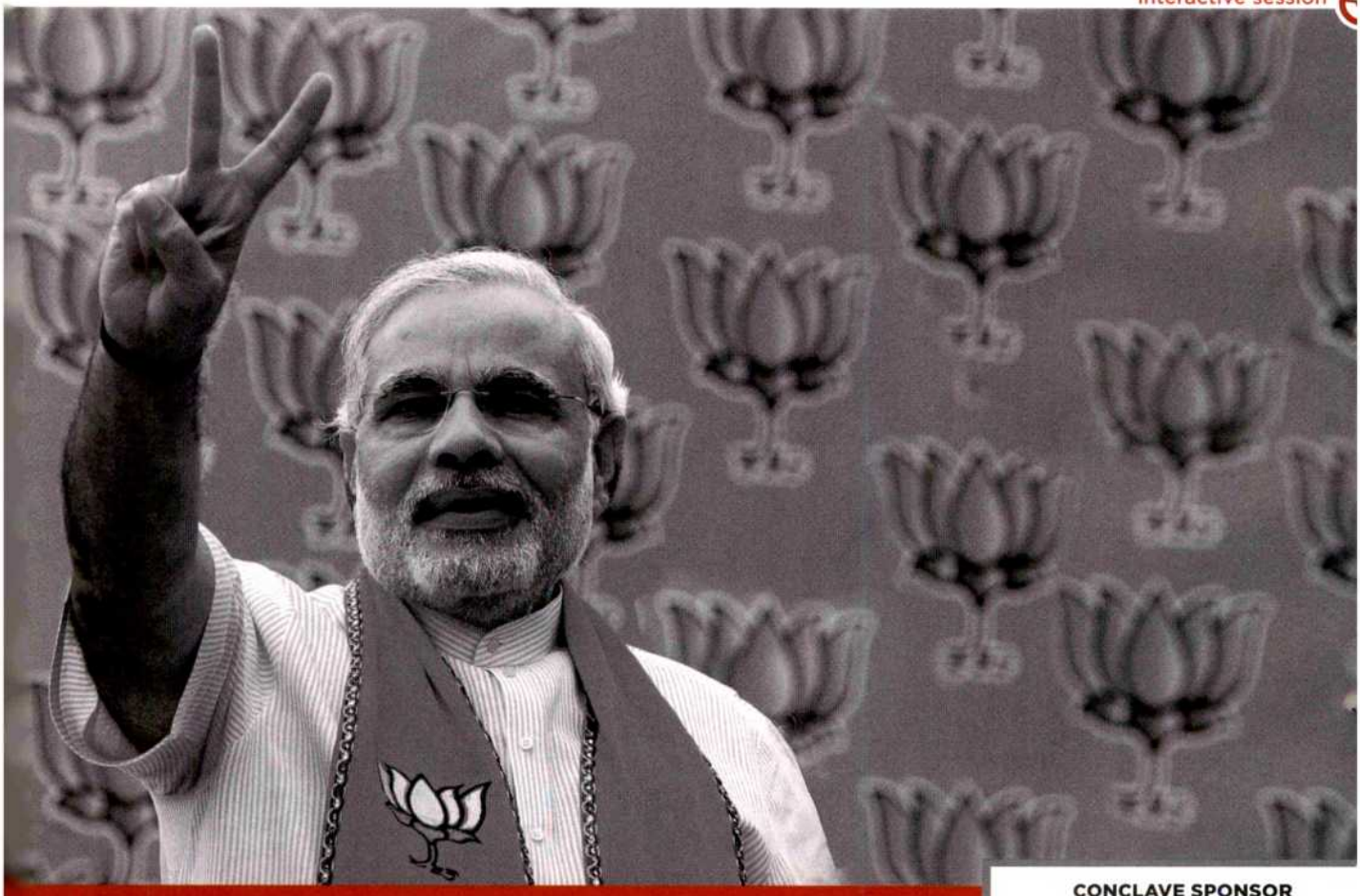

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would face a start-up seeking to compete with Medtronic. It could mimic pieces of Medtronic's approach, such as the diagnostic camps and a financing plan. But it would have to either build a new pacemaker and seek regulatory approval (which would take years, if not decades) or partner with an established pacemaker manufacturer. It would struggle to get meetings with local doctors with whom Medtronic already has deep relationships. And, of course, it would have to learn how to operate in India, a notoriously complex market. Medtronic simply has capabilities, experience, relationships, expertise, and resources that entrepreneurs don't.

This is a fourth-era-innovation story. Medtronic mixed the entrepreneurial approach of a third-era VC-backed start-up with the unique capabilities once housed in second-era corporate labs. It's easy to bemoan the stifling bureaucracies that characterise some large companies. But giants like Medtronic have hard-to-replicate advantages over start-ups. (See *What Gives Big Companies an Advantage?*)

Once you recognise the fourth-era pattern, you see examples everywhere. Imagine going back to 2007 and asking your friends to guess who would become the leader in the exploding e-reader market. Chances are they wouldn't guess Amazon (Kindle) or Barnes & Noble (Nook), because neither company had device expertise. But both had unique distribution channels. The ready access to outside innovation that now enables entrepreneurs likewise allowed these big companies to develop devices in less than 24 months. The resulting business has been a boon for both of them. Google Android, Cisco TelePresence, Nestlé Nespresso, Tide Dry Cleaners, Microsoft Kinect, and many others fit this pattern.

The Role of the Corporate Catalyst

As companies have decentralised strategic and innovation activities, promoting agility, they have become increasingly hospitable to catalysts – those mission-driven leaders who corral corporate resources that are outside their traditional span of control to address sprawling challenges. They form networks or coalitions within and outside the company and are motivated by the desire to solve big – often global – problems.

Healthy Heart, for example, could not exist without the Medtronic catalyst Keyne Monson. In 2008 the head of the company's international arm asked Monson to devise a business model that would increase its presence in India. Monson launched the effort without a single direct report. He found advocates within Medtronic's Indian organisation and worked with external enablers, including David Green, of Ashoka (which backs social entrepreneurs), to develop a case for broader investment. He drew in outside partners early in the process, and he engaged leadership by highlighting stories about individual patients whom Medtronic could help. (Mission-driven by nature, Monson was inspired by his work in India to set up a separate nonprofit company called Elevita, through which developed-economy consumers can buy goods made by developing-country artisans.) Monson's early efforts earned him the support of regional leaders – notably Milind Shah, Medtronic's India country head, and Shamik Dasgupta, the regional head of Medtronic's pacemaker and defibrillator business, both of whom played critical roles in designing, staffing, and executing the pilot and expanding the programme.

FOURTH-ERA INNOVATIONS HAVE HUGE GROWTH POTENTIAL IN BOTH EMERGING AND DEVELOPED MARKETS

Medtronic's effort, like those of many other fourth-era innovators, illustrates how big companies are powerfully and uniquely suited to tackling large-scale social problems such as hunger, health care, sustainability, and education. These aren't stand-alone corporate social responsibility efforts – they are strategic initiatives to create profitable businesses that improve the world.

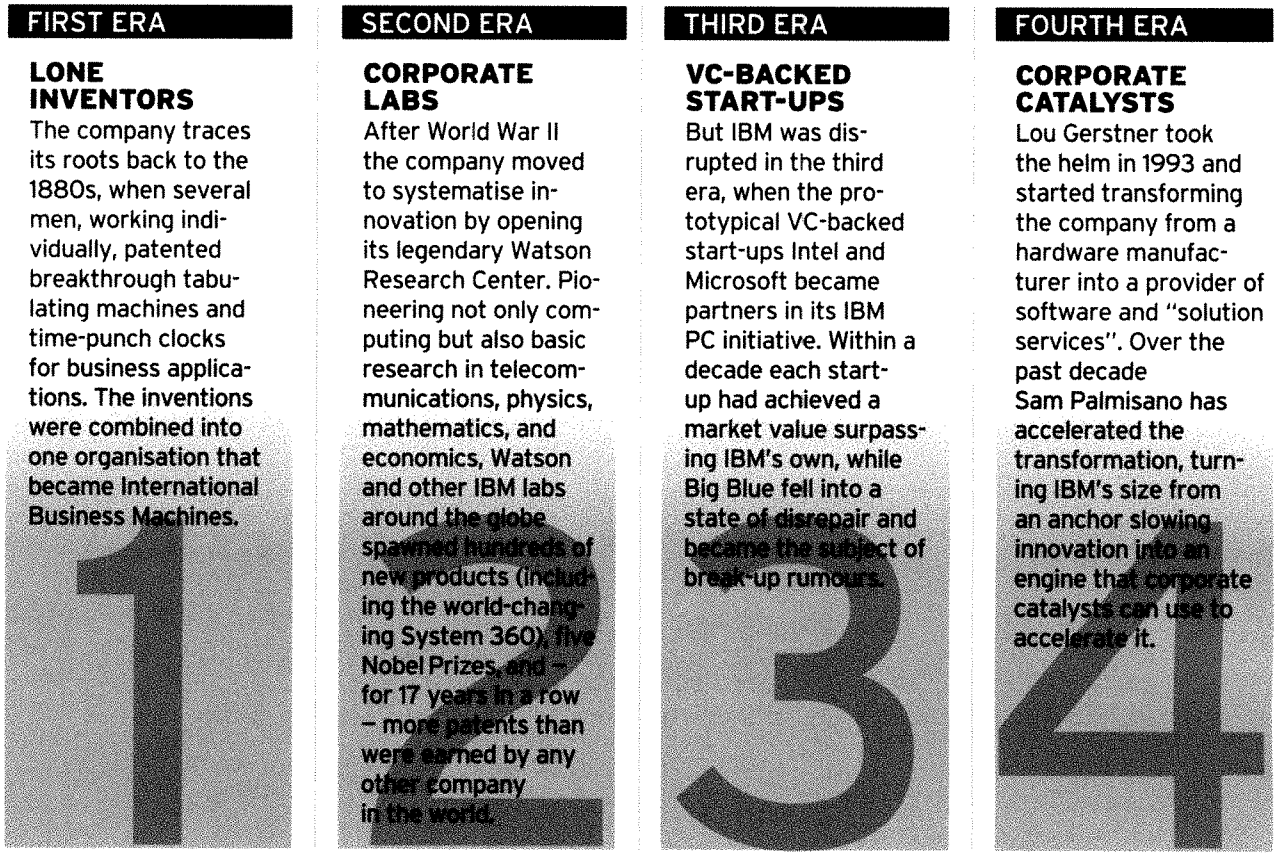
Unilever's Water Purification

Unilever, which has operations in more than 100 countries and sales in 190, has increasingly intertwined its social and corporate goals. In 2010 it launched the Unilever Sustainable Living Plan, which aims to halve the greenhouse gas impact of the company's products, source 100 per cent of agricultural raw materials sustainably, and help more than a billion people improve their health and well-being.

One effort that supports this plan is the Pureit water filtration business, overseen by Yuri Jain, a vice president who leads the company's global water initiatives. People in most parts of the world – especially developing countries – lack reliable access to safe drinking water. Studies show that low-cost interventions to purify water can have a big impact, reducing the risk of potentially lethal diarrheal diseases by 50 per cent. However, many consumers in, for instance, Bangladesh and India have no choice but to boil water to purify it, which is expensive, takes time, leaves the water vulnerable to recontamination, and consumes precious fossil fuels.

Jain traces his involvement in the Pureit project back to the "creation of the first PowerPoint slide" on the business more than a decade ago. "Having lived in India, we all know that drinking water is a problem," he recalls. "As we looked around, governments had tried, and NGOs had tried, but no one had figured out a scalable solution." So Jain and a small team set out to find one. Things looked grim a few years into the

IBM Through the Four Eras



project, when the team found an approach that would work – but at a prohibitive cost. Rather than pursue a lower-quality, cheaper solution, the team and other stakeholders pushed to both retain quality and lower cost. Ultimately, a group of 100 Unilever scientists around the globe cracked the problem. "I think only a corporation could pull this off," Jain says.

Pureit combines a dirt-removing mesh, a carbon filter, a processor that kills germs, and a "polisher" that removes residuals. It produces safe water at a cost of just half a cent per litre. Pureit doesn't need electric power (an important feature given the frequency of power outages in emerging markets) or running tap water. It's portable and can easily fit in small kitchens, and it switches off automatically when the replaceable processor is depleted, preventing consumers from using unsterilised water. Hindustan Unilever launched Pureit in Chennai in 2004, leveraging its supply chain expertise and retailer relationships to distribute the product throughout the country.

Like Monson at Medtronic, Jain enlisted a number of external parties to help bring the company's innovation to market – in this case by partnering with NGOs to make Pureit available to schools and consumers who would have difficulty affording the technology. "It really helps when you are a team of a few people with the disproportionately large mission of protecting 500 million lives," he says. "In this context, when you start from a blank slate and ask 'What is the best way to do it?' you are open to the idea that you have to partner and create an ecosystem." Unilever also works closely with the Integrated Village Development Project, which helps women access small loans supporting the purchase of productivity tools and hygiene products such as Pureit.

By early 2012 Unilever had sold millions of units. It estimates that 35 million people are drinking Pureit filtered water – a number the company hopes will increase well more than 10-fold by 2020, creating a multibillion-dollar business.

Syngenta's Productive Farming

In the 1980s the sachet packaging model, which provides affordable single doses of a product such as shampoo to poor consumers, was adopted by a few mass marketers (including Unilever). That model later inspired a catalyst at the agribusiness giant Syngenta to develop an innovative way of tackling hunger.

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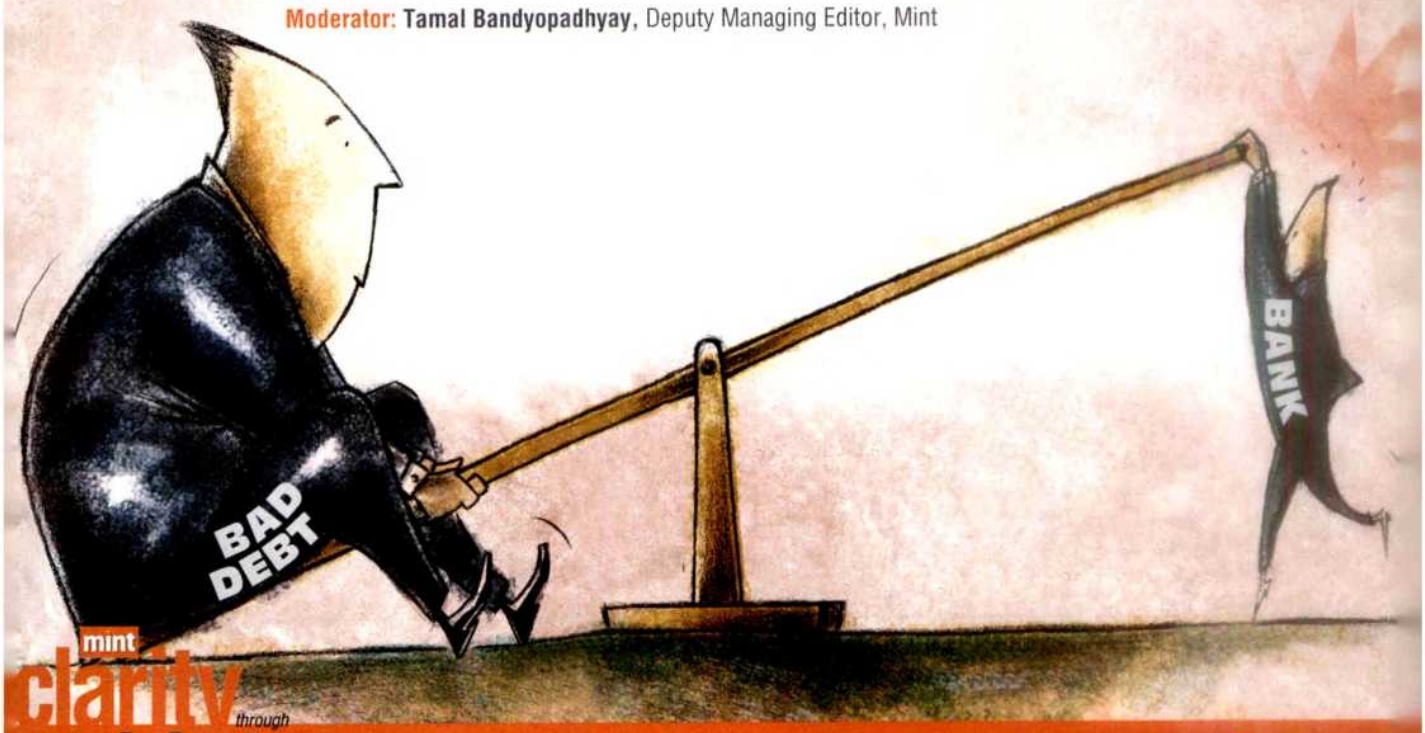

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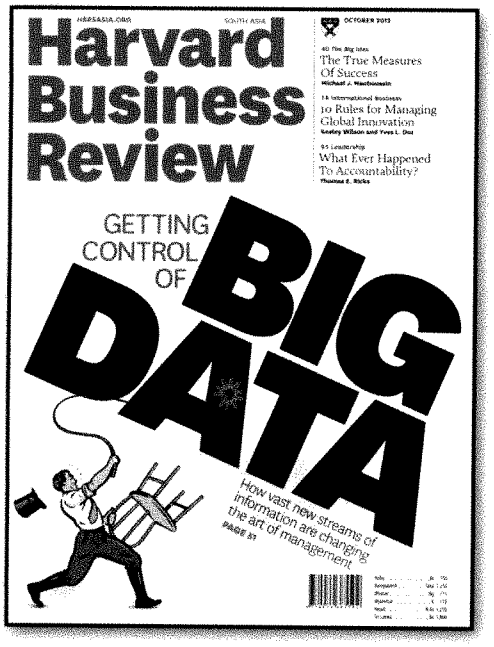

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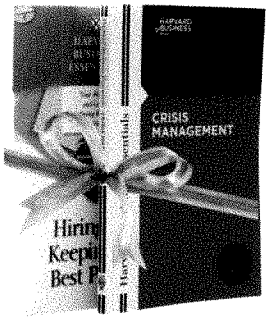

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Zeneca Agrochemicals, Syngenta has played a key role in boosting the world's agricultural productivity. Although much of that work has focused on large farms, Syngenta recently introduced a range of efforts aimed at smallholding farmers. Improving the productivity of the 500 million small farms across the world, the company realised, could pay enormous humanitarian and financial dividends. In Kenya alone, for example, four million smallholders grow more than 80 per cent of local produce. Many of these farmers live hand-to-mouth.

The sheer numbers made this market an obvious target. In 2005 Syngenta lured Nick Musyoka away from the British consumer goods giant Reckitt Benckiser, where he had worked on the Mortein Doom pesticide, to lead a smallholding initiative. The opportunity to attack such an enormous challenge motivated Musyoka to become a catalyst in an unfamiliar industry.

Musyoka and his team devised a programme dubbed Uwezo ("capability" in Swahili), which uses the sachet distribution model to provide smallholders with affordable, premeasured packages of crop-protection chemicals – the same products sold to large farms. Farmers could simply pour one packet into 20 litres of water in the backpacks they used to spray their fields, eliminating dosing problems and waste.

Musyoka quickly recognised that lowering prices was only part of the solution; education was needed, too. He and his team launched a multipronged information campaign that leveraged existing retailer relationships. Retailers serve as important advisers to farmers, so the team created a programme to train retailers about productive farming practices. In addition, it commissioned 45 field agents to travel on motorcycles to farms, plant demonstration plots, and advocate responsible farming. Mass-market media – including programmes that farmers could listen to on their mobile phones – broadened the programme's reach.

Like Monson, Musyoka drew inspiration from outside his company's industry. He created a business model that combined the capabilities of a large company (agronomic knowledge, retailer relationships, brand recognition) with external enablers and a standalone field force, and it is working. Syngenta projects that sales of Uwezo packs in Kenya (which is home to less than one per cent of the world's smallholders) will reach $6.5 million in 2012. The company plans to expand the programme to other African and Asian countries. It recently committed to building a $1 billion business – in which Uwezo and related programmes will play a significant part – in Africa over the next 10 years and will invest more than $500 million to support it. This will involve recruiting and training about 700 agronomic specialists and developing distribution networks, logistics, and local production facilities.

SYNGENTA'S FOCUS ON INNOVATION HAS BOOSTED LAND PRODUCTIVITY AND PERSONAL PRODUCTIVITY OF FARMERS

More broadly, over the past five years Syngenta's corporatewide focus on innovation has led to an explosion of offerings that have boosted land productivity and the personal productivity of farmers. From 2006 to 2011 its revenues increased by 65 per cent – with new products contributing $700 million – and net income more than doubled.

IBM's Smarter Cities

Fourth-era innovations in emerging markets have huge growth potential, as the Medtronic, Unilever, and Syngenta initiatives show. But fourth-era approaches apply equally in developed markets. In 2006 the IBM master inventor and catalyst Colin Harrison took part in InnovationJam, two 72-hour crowdsourcing sessions that involved 150,000 employees, family members, business partners, and clients. Together they engaged in an online brainstorming exercise to conceive the next generation of growth businesses for IBM.

IBM committed $100 million to 10 small-scale experiments that emerged from the jam in areas, including water, energy, transportation systems, and health care. Harrison was selected to help simulate a venture environment on a new corporate strategy team located at company headquarters in Armonk, New York. The team presented its ideas directly to CEO Sam Palmisano.

IBM has a vast array of resources, from R&D to sales and marketing, that no VC-backed start-up could even dream of. But like many multinationals, the company struggled to marshal them during innovation's third era. (See *IBM Through the Four Eras*.) Harrison and fellow catalysts within the company helped to change this.

Like Monson, Jain, and Musyoka, Harrison activated resources beyond his traditional realm. "We started very small," he says. "I work with several hundred people, but no one reports to me. In a company of this size, if you are persistent enough, you can find people with all kinds of skills." Today the democratisation of innovation means that catalysts can have a huge impact without deep budgets or legions of reports.

Harrison led one of the 10 prototype-development experiments, originally called Instrumented Planet. His team sought to answer this question: How could IBM combine its services acumen; the connectivity of the web; and physical sensors, actuators, and RFID chips to improve efficiency by monitoring the movement of people and vehicles and the activity of energy systems? Many of the building blocks were in place, but the company needed a unifying vision and a specific service offering.

In classic catalyst style, Harrison

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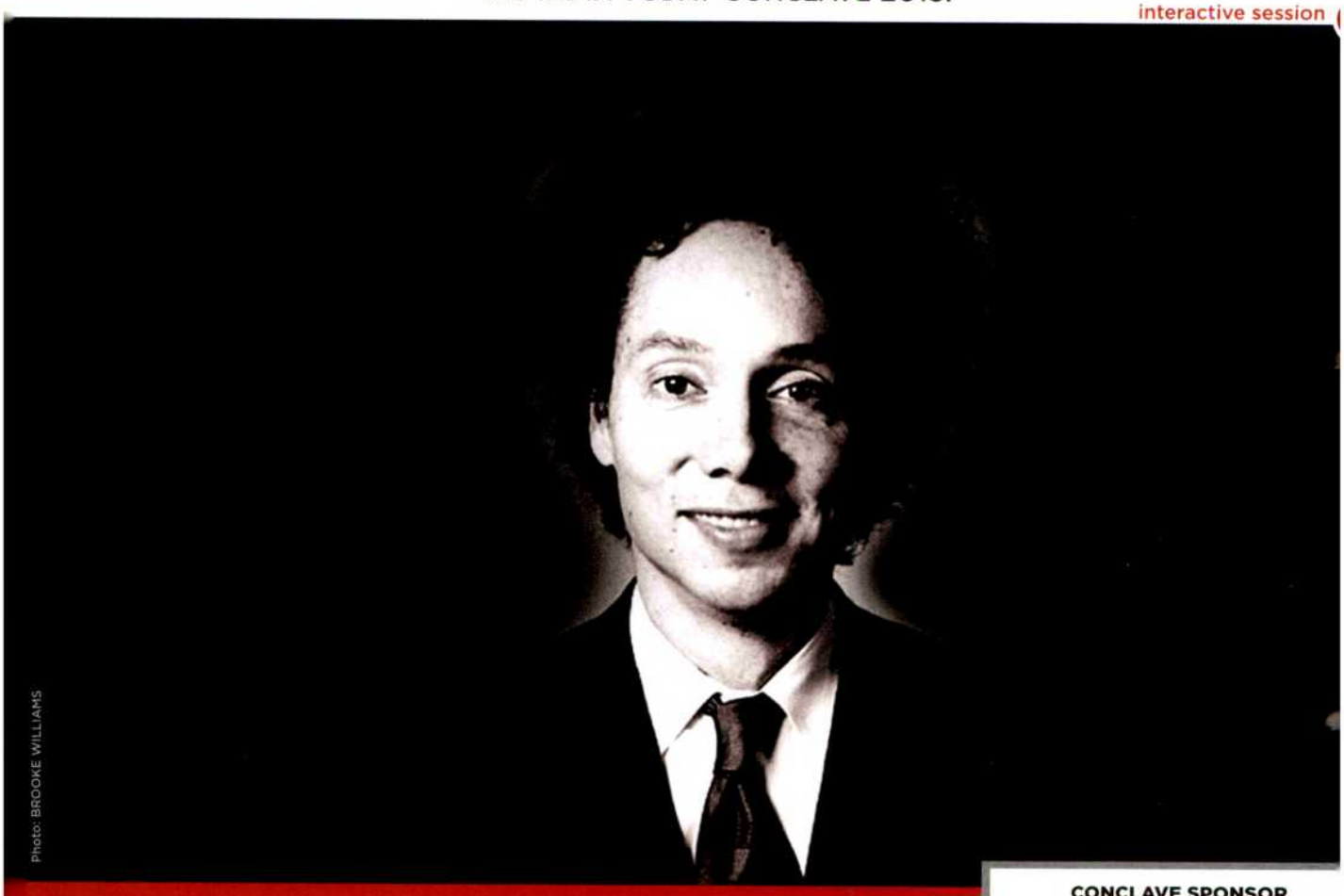

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looked outside the organisation for inspiration. In early 2008 he was visiting Masdar City, an urban-planning project in Abu Dhabi that seeks to create a carbon-neutral, zero-waste city of the future. He recalls, "I realised that this was the idea we were missing – that everything we wanted to do could coexist in one place – and I suddenly had this view of an integrated operations centre for a city."

Thus Instrumented Planet became Smarter Cities (part of IBM's Smarter Planet initiative), through which the company would offer a bundle of technological infrastructure and related services to help cities save money and improve lives by better managing energy, water, traffic, parking, public transit, and other resources. Consider IBM's project in Stockholm. The city planned to build a $1 billion tunnel to help alleviate traffic congestion. In addition to being expensive, the tunnel's construction would consume enormous amounts of time and fuel and would disrupt the city for years. IBM proposed a different plan: monitor every car from an "intelligent operations centre," using sensors, and offer financial incentives to drivers to take alternative routes or public transportation when appropriate. The Smarter Cities plan was enacted at a 10th of the cost of the tunnel in a 10th of the time, and it reduced greenhouse gas emissions by 17 per cent and traffic delays by more than 50 per cent.

IBM went on to complete Smarter Cities projects in Rio de Janeiro, Berlin, Beijing, Dublin, Singapore, and New York. In Chicago its network enabled another company to build an app that monitors all the city's snowplows during a storm and tells drivers which streets are clear at any moment. Smarter Cities showcases how a company catalyst can harness innovation tools to solve big problems while simultaneously accelerating revenue and profit growth. (Smarter Planet as a whole is well on its way to contributing $10 billion in revenues by 2015.)

Are You Ready?

In an earlier era, Monson, Jain, Musyoka, and Harrison might have done their work in a not-for-profit or a VC-backed start-up. Indeed, they empathise with the stereotypical garage-based entrepreneur. Their garage just happens to be stocked with amazing tools.

Unfortunately, not all corporate environments are conducive to fourth-era innovation. For catalysts to flourish, companies need to embrace open innovation, approach innovation systematically, simplify and decentralise decision-making mechanisms, and be learning-focused and failure-tolerant. Beyond that, they need to make the pursuit of transformative innovation a purpose-driven activity. Many corporate leaders fret about how to provide sufficient economic incentives to attract high-quality innovators. It is hard for them to offer the potential for wealth that a stand-alone entrepreneur might realise. But, as Daniel Pink discusses in his 2009 book *Drive*, additional financial incentives can actually decrease performance on creative tasks. Pink argues that the way to motivate creative people is to give them autonomy, provide opportunities to develop mastery, and instil a sense of purpose in their work. That applies in spades to catalysts.

The fourth era is already shifting the roles that innovation players have traditionally held and creating new ones:

Venture capitalists, who were the enablers of the third era, must consider how their model has to change if they are to remain relevant.

Young innovators set on improving the world should recognise that working for a large company isn't "selling out" – it can maximise their impact.

Corporate leaders must critically examine the degree to which their companies' environments are hospitable to the work of catalysts.

Employees who find their innovation environment inhospitable should consider whether another company would provide more-fertile ground for catalytic work.

Catalysts who have just started their efforts should grit their teeth, because the work will not be easy. Asked to give advice to fellow catalysts, Unilever's Yuri Jain advises having purpose and persistence. "It is a daily struggle," he says. "If you don't believe in the project, the barriers are going to be enormous."

Entrepreneurs will continue to give birth to great businesses, and nonprofits will continue striving to build a better society. But the people changing the world today are as likely to be in corporate cubicles and conference rooms as in Silicon Valley or at social-impact conferences. Welcome to innovation's new era. ◆

DANIEL PINK ARGUES THAT **CREATIVE PEOPLE ARE MOTIVATED BY AUTONOMY, OPPORTUNITIES TO DEVELOP MASTERY,** AND A SENSE OF PURPOSE. THAT APPLIES IN SPADES TO CATALYSTS

Scott D. Anthony *is the managing director of Innosight Asia-Pacific and the author of* The Little Black Book of Innovation *(HBR Press, 2012).* *This article was published in* HBR, *September 2012.* *Copyright©2013 Harvard Business School Publishing Corporation. All rights reserved.*

DELICATE MATTER
DEMANDING REPAYMENT OF A LOAN FROM A FRIEND OR FAMILY MEMBER CAN GET AWKWARD. IF THE LOAN GOES BAD, SO DOES THE RELATIONSHIP

Debts of Gratitude

Make sure lending to a family member or friend does not become a problem later. By CHANDRALEKHA MUKERJI

Neither a borrower nor a lender be; for loan oft loses both itself and friend." The advice by Polonius, the chief counsellor to King Claudius in Shakespeare's *Hamlet*, had good reasoning behind it.

A loan to a family member or a friend is usually unsecured. The terms and conditions are undefined or hazy and demanding payback can get awkward. If the loan goes bad, often, so does the relationship. Such a loan is also usually interest-free. If not returned, the lender simply loses the money.

Many people are thus wary of giving loans to relatives and friends.

But what if you draw up a legal document clearly defining the terms and conditions of the loan? In this way you avoid all misunderstandings: you can help your friend, as well as protect your interests.

There are two ways to do this – you can either take a promissory note from the borrower or draw up a detailed loan agreement. Both are legally valid documents, recognised by courts in case there is a dispute. "A promissory note is an acknowledgement to pay back debt – on demand or otherwise – and can include some simple terms and conditions," says Gurmeet Singh Kainth, Partner, D.H. Law Associates, a Mumbai-based law firm. If you want to keep things simple and only for the record, take the promissory note route – an unconditional promise by the borrower to pay a fixed sum on demand, or at a specified date.

The promissory note comes under Section 4 of the Negotiable Instruments Act, 1881, and has to be signed by the borrower. Such notes can vary in their phraseology – depending on whether there are single or joint borrowers, whether the lender wants the loan to be payable on demand, payable in instalments or as a lump sum, whether it carries interest or is interest-free. Though the basic format is the same, sentences can be added or tweaked to change the terms and conditions. A simple Google search will provide sample formats. Though not mandatory, it is better to draw up the note on stamp paper and get it notarised. Any notary – special judicial officer – will attest it for a small fee.

"But if the aim is to include specific or detailed clauses, it is advisable to enter into a loan agreement," adds Kainth. Loan documents, however, have to be mandatorily drawn up on

No tax on interest-free loans for either borrower or lender

No tax on gift from family member, no matter how high the amount

₹50,000 Maximum non-taxable amount one can receive as a gift from a friend

stamp paper and notarised. These can be worded just the way you want, including details relating to, say, the collateral offered if any, the consequences of a default, the conditions for terminating the loan, and the names of legal heirs, if necessary. Words should be used with great care while drawing up such a document. Full names should be used as they appear in identity proof documents such as the PAN card or the voter identity card, and the date and place where the agreement is being signed mentioned clearly. Details such as the tenure of the loan, the periodicity of repayment (monthly, annually, in a lump sum or in instalments) and how the interest, if any, will be calculated (simple or compounded annually, etc) should be spelt out. The loan amount should be given through a bank cheque and the cheque number mentioned in the agreement.

Unlike promissory notes, loan agreement can be modified later. An amendment clause needs to be incorporated in the agreement. It enables the parties to amend the document on mutually agreed terms. "Amendments can be carried out either through written confirmation or a supplementary agreement," says Kainth. There is no legal requirement but it is advisable to get the document signed by a witness, preferably someone not related to either of the two parties. This will hold weight if there is a dispute.

Interest-free loans are not taxable, no matter who they are given to or taken from. With gifts, it is different. Gifts from family members (as the 'family' is defined in the Income Tax Act) are not taxable, no matter how high the amount. But any gift above ₹50,000 from a friend (anyone who does not fall in the ambit of 'family') is taxable. If your friend gifts you ₹60,000, you have to pay tax on the amount, but if it is a loan that you will be paying back, there will be no tax on it.

However, if you seek interest on the loan you have given, the interest earned is taxed. Also, payments made to repay non-institutional loans – from private individuals, including friends and family members – are not eligible for tax deduction under Section 80C. That is, you will not be able to claim tax deduction on the principal. And even if it is from institutional sources, taxation will depend on the purpose of the loan. "A loan taken to buy a house is eligible for tax deduction under Section 24 of the Income Tax Act, but you won't get any tax benefit if the money is for personal use," says Kuldip Kumar, Executive Director, Tax and Regulatory Services, PricewaterhouseCoopers India. ◆

Courtesy: *Money Today*

LAST BUT NOT LEAST

BOOKS 156 CAREERS 157 PEOPLEBUSINESS 166

No Country for Oscars

Winning an Academy Award rarely gives a film a revenue bump in India, says DEARTON THOMAS HECTOR

In 2008, *No Country for Old Men*, a film directed by the Coen brothers, Ethan and Joel, won the Best Picture Academy Award. The Academy Awards recognise excellence in films released during the previous year. The film, a dark and absorbing tale about a fortune, a busted drug deal, and a hitman, won three other Oscars: Best Director, Best Supporting Actor and Best Adapted Screenplay. With that kind of pedigree, it should have done well at the Indian box office. Instead, it earned a mere ₹20 lakh. The biggest Hollywood grosser in India that year was *Spider-Man 3*, which earned ₹68 crore (see *Untouched*).

A couple of years later, *The Hurt Locker*, a film about a bomb disposal unit in Iraq, won six Academy Awards, including Best Picture, Best Director and Best Original Screenplay. The film, helmed by Kathryn Bigelow, also met the same fate at the Indian box office, earning just ₹2 crore. That year, the biggest Hollywood flick in India was *Avatar*, which grossed ₹110 crore. It remains the biggest Hollywood grosser of all time in India. *Avatar* did win three Oscars, but all lesser ones, involving visual effects and cinematography. Those features, particularly the special effects, played a big role in its box office appeal.

With the exception of *Avatar* and *Titanic*, both directed by James Cameron, films that have won prestigious Academy Awards have not been very successful in India. Even *Slumdog Millionaire*, which had an all-Indian cast and a plot based entirely in India, did only moderately well, with box office takings of ₹20 crore. The film did better outside India – it had worldwide gross earnings of $377 million.

"Awards don't matter at all at the Indian box office," says Komal Nahta, a film trade analyst. "The

UNTOUCHED

2007

Oscar Winner for Best Picture

NO COUNTRY FOR OLD MEN

₹20 lakh

Highest Grossing Foreign Film in India

SPIDER-MAN 3

₹68.1 cr

2008

Oscar Winner for Best Picture

SLUMDOG MILLIONAIRE

₹20 cr

Highest Grossing Foreign Film in India

QUANTUM OF SOLACE

₹44.4 cr

2009

Oscar Winner for Best Picture

THE HURT LOCKER

₹2 cr

All figures are gross collections

₹1.25cr

Collections of the Oscar-nominated *Lincoln* in India, to date

Oscar festivals conducted by multiplexes are a marketing gimmick. They want to stay in news. They know that they won't be able to get enough footfalls," she adds.

Kamal Gianchandani, President of PVR Pictures Ltd, the film production and distribution arm of the PVR Group, points at the lack of a commercial quotient in these films. "Movies such as the *Harry Potter* series or *2012* are highly commercial and cannot be compared to Oscar nominated movies. They are more visual-oriented," he says. *2012* was dubbed in Tamil, Telugu and Hindi and is estimated to have grossed around ₹90 crore.

Apart from Best Picture, the Best Actor and Best Actress awards are among the more coveted Oscars. These usually go to those who feature in biopics or dramas, and those do not always do well at the box office either. Recent Academy Award-winning biopics include *Capote, The Queen, Milk* and *The Iron Lady*. This year, *Lincoln* is in the running. But it hasn't done too well so far; *Lincoln* has disappointed," says Faisal Farooqui, Founder-CEO, MouthShut.com, a review site. To date, the film has earned just ₹1.25 crore in India. Incidentally, *Lincoln* is a co-production between the Anil Ambani-owned Reliance DreamWorks, Twentieth Century Fox and Amblin Entertainment. It has been nominated for 12 Academy Awards.

"Be it a local award or an international award, it doesn't matter. There is curiosity but the reach is limited. The majority of people look for entertainment," says Taran Adarsh, a film critic and trade analyst.

"I would say that unless these (Oscar-winning) films have the required dramatic *tadka* for an Indian audience or have a setting closer home, with characters who can be identified, they will find the going tough in India," adds Farooqui.

Titanic, a film about the huge passenger ship that sank in April 1912 after crashing into an iceberg, had a lot of that "macula". The film, released in 1997, had a romantic plot weaved in, giving it a commercial appeal. It remains the highest grossing Best Picture winner in India, with gross collections of around ₹52 crore.

To be fair, Oscar-winning films not doing well is not an India-only phenomenon. Even in the US, they tend to disappoint. For instance, in 2011, the highest grosser was *Harry Potter and the Deathly Hallows: Part 2*, which grossed around $380 million, according to BoxOfficeMojo.com. *The Artist*, which won the Best Picture award, garnered only $40 million. It's pretty much the same with other Oscar winners. The only exception to this trend (since the 2000s) came in 2003. That year, *The Lord of the Rings: The Return of the King*, which bagged 11 awards, including Best Picture, was the biggest grosser with $377 million.

Limited theatrical releases are also responsible for the poor response in India. "Oscar movies release only in around 100 screens whereas the more commercial movies get released in 800 to 900 screens," says Gianchandani.

However, that is beginning to change with the switch to digital technology. "In the past, very few prints (of Oscar-nominated films) came to India. Studios now release more prints," says Alok Tandon, CEO of INOX Leisure Ltd, a multiplex chain.

"The Indian market has changed. There are a lot of multiplexes now. If there is an Oscar nomination, the films get more publicity and it creates a buzz in social media," adds Jehil Thakkar, Head of Media and Entertainment at KPMG India.

Perhaps, there is hope yet for those who get their hands on the 13.5-inch statuettes. ◆

2010

Highest Grossing Foreign Film in India

AVATAR

₹110cr

Oscar Winner for Best Picture

THE KING'S SPEECH

₹1.4cr

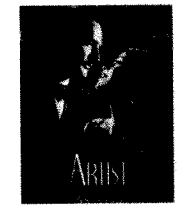
Highest Grossing Foreign Film in India

HARRY POTTER AND THE DEATHLY HALLOWS - PART 1

₹37.5cr

2011

Oscar Winner for Best Picture



THE ARTIST

₹1.96cr

Highest Grossing Foreign Film in India

MISSION IMPOSSIBLE GHOST PROTOCOL

₹46cr

Source: *BT* research, industry estimates, distributors

NANDAGOPAL RAJAN

Identity Politics

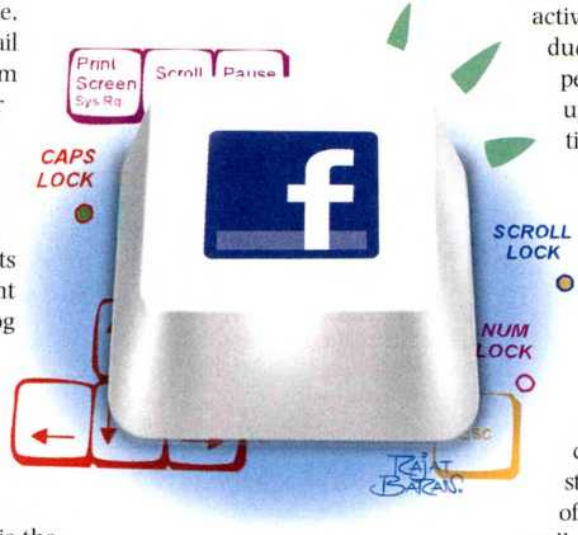
Why the anonymity of the web may well disappear and what will replace it

In the mid-1990s when India was first exposed to the Internet, the golden rule was to never disclose your true identity online. So, many of us ended up with email accounts that helped maintain a good deal of anonymity, whatever we did online. But it did not take long for things to change, and soon people were scrambling to secure email IDs that had their full names, without any unnecessary suffixes.

With the dawn of the new century, Indians finally became bold enough to give their addresses and credit card details online, thus kicking off an online retail boom. Now, we buy stuff from multiple e-tailers and either have different accounts on these sites or, alternatively, just log in with a Facebook account. Gartner, the leading US-based research firm, predicts that by 2015 about 50 per cent of new e-tail customers will log in with their social identities as compared to a mere five per cent today.

Logging in with a social network identity is convenient as it bypasses the registration process. However, there is the flip side. If you enter with your Facebook login, say, it will provide the site you go to a veritable gold mine of data about you – from the kind of food you like to the type of music you hate, not to mention a lot of stuff you wouldn't really want most people to know at all. Most of the time your data is secure as the bulk of e-tailers and websites will perform their fiduciary duty of not leaking it. Some may, however, be swayed by the monetary potential of the enormous amount of user data in their custody.

Of course, not everyone logging in with his or her social identity gives away genuine data. There are people using social networking sites with fake names and fake particulars. Facebook estimates it has over 50 million bogus accounts – about five per cent of overall users – which could be used as fake identities for transactions. (If websites trust all their users not to use hollow profiles, they are being overly optimistic.)



Thankfully, there are usually secondary checks in most transactions to weed out dummy logins. Ant Allan, Research Vice President at Gartner Research, says that overall, social network identities offer better identity proofing than raw customer registration. "This is because social network analysis can potentially identify bogus social identities, and some vendors can exploit the 'wisdom of crowds' to verify claimed social network identities," he says.

But securing identities online has other complicating aspects. Some governments want to know all you are up to online and are in favour of stopping all kinds of anonymous access. This would mean each individual logging in with a unique online ID, which, in India's case, could be the Aadhaar or NPR (National Population Register) number. Those pushing for an end to anonymous access believe such a move can end online fraud and cyber terror, along with a host of other undesirable web activities. But while this would reduce the need for handing over personal data, it could also end up making the Net a bit too sanitised for most people's liking.

Alternatively, there could be a third-party organisation, or company, which manages online identities for people and gives them a unique key which they use to make transactions. It might take a lot to convince people to sign up, but there are companies which have already started perfecting the technology of a single login, such as online wallet companies, which let users make payments from a single platform anywhere or on whatever they are buying. However, there is no denying the fact that with more users accepting the convenience of e-commerce, there needs to be some standardisation to protect user interests.

Till then, however, it is advised that we take control of our online world. After all, being safe is definitely better than being sorry. ◆

The writer is Associate Editor, Gadgets & Gizmos

AJAY BIJLI

Work It Out

The benefits of daily exercise are not only physical but also mental

Productivity begets productivity. When we are productive, we also become more motivated to succeed and this motivation keeps increasing. And this can come from a few minutes of daily exercise. However busy I may be, even if I am working round the clock, I make it a point to workout daily.

Health and physical well being are not constants. When we are healthy we remain busy, devoting little time to staying fit. But it is very important to always keep one's health in mind, and have the latest aids available to workout and stay healthy.

Many people think physical exercise and performance at work are unrelated, but in fact there is close correlation between them. Regular physical activity improves concentration and productivity considerably. This has been scientifically established – if you stimulate your nervous system, you will function at a higher level. Exercising regularly not only keeps the heart healthy and weight in check, it also makes people smarter and better at what they do.

It is important executives take note of this. Many start working early in the morning and retire only when the day ends, which is most unhealthy. But even 30 minutes of exercise can make up for the time they spend in an enclosed ambience all day where, for much of the time, they practically do not move their muscles at all.

Fitness has been a way of life for me. A combination of weight training and cardiovascular exercises, during which I run for 10 to 12 km on a treadmill, is a daily must. To ensure my own health and fitness, I pay close attention to the kind of food I eat, the flexibility I possess, and my muscle and cardio exercises. All of us need to increase our heartbeats for about half an hour a day in order to stay healthy. As a student too, I was active in squash, cricket and basketball. The idea was not necessarily to become a footballer or a gold medal-winning gymnast, but simply to stay healthy and fit.

I also extend the mantra of fitness to my business. Managing oneself well is a prerequisite to managing people. I expect people working with me to possess healthy minds and bodies. My workouts have helped me dramatically at work – to focus better and even improve relations with my co-workers. You will find qualitative changes taking place in your working life once you make exercising a daily practice (see *How Physical Activity Helps the Mind*).

To conclude, I would like to emphasise that all of us should strive to instill discipline in our lives, should eat wisely and exercise daily, and an optimal state of well being will automatically follow. ◆

The writer is Chairman and Managing Director, PVR Ltd

HOW PHYSICAL ACTIVITY HELPS THE MIND

INCREASES ENERGY
Improves muscle strength, boosts endurance and provides the added energy needed to think more clearly and produce new ideas

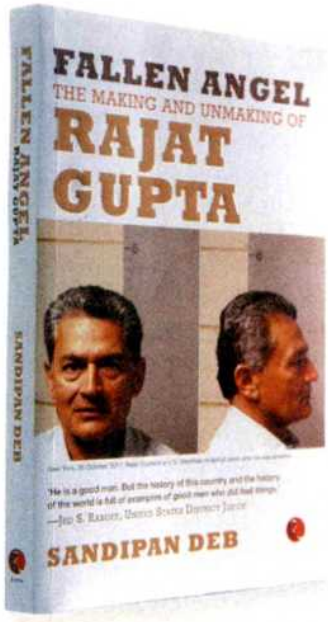
ASSISTS IMPULSE CONTROL
Exercise triggers endorphins, which improve the prioritising functions of the brain, allowing you to block out distractions and concentrate better

SHARPENS FOCUS
Pumps you up and helps you reach your peak. In the long term, can even stave off brain ageing and Alzheimer's disease

IMPROVES MEMORY
Endorphins have also been shown to improve memory

Inside(r) Story

A racy account of the rise of Rajat Gupta and the insider trading scandal that felled him



Fallen Angel The Making and Unmaking of Rajat Gupta
By Sandipan Deb
Rupa
Pages: 242; Price: ₹295

There have been many newspaper accounts of the largest insider trading scandal in US history and the role of Rajat Gupta, the India-born former head of McKinsey & Co, in it. It occurred at a time when the world was reeling under a financial crisis. Sandipan Deb, an IIT/IIM alumnus and a former journalist, has neatly stitched together the story, making it read like racy fiction.

Deb's *Fallen Angel* is one of the first books to provide comprehensive coverage of the scandal, which culminated in Gupta being sentenced to two years' imprisonment on October 24 last year. During the trial, the question in everybody's mind was whether Gupta, who had built an impeccable reputation in his corporate career, was, indeed, guilty. Or, considering the prosecution used only circumstantial evidence to nail him, was he plain unlucky?

The book does not take a position. It leaves the reader to decide for herself. Based on an earlier meeting with Gupta, Deb records his impressions of the man: "Rajat Gupta... was the man I had found most difficult to fathom... Either he was the perfect guy – highly intelligent, unfailingly courteous, never a hair out of place – or he had built an impregnable wall around himself. I could not get the slightest glimpse of what could lie behind it..."

Those who expect the book to be Gupta's detailed biography, as the title suggests, will be disappointed. Confronted by major limitations – no access to the subject or his family – Deb has relied on other kinds of research to put together Gupta's early life, and retrace the steps by which he became the first Indian – indeed the first non-American – to head McKinsey, as well as to evaluate his performance as its head between 1994 and 2003. Deb draws heavily from the US Federal Bureau of Investigation's wiretap transcripts and court documents to explain the scandal and Gupta's involvement in it.

The book is neither linear nor chronological in its delivery. Besides looking at Gupta, the scandal is described through the stories of other major players – such as Raj Rajaratnam, the Sri Lanka-born hedge fund trader to whom Gupta was accused of passing on information, Anil Kumar, Gupta's protégé at McKinsey who chose to cooperate with the authorities to nail both Rajaratnam and Gupta and got away with light punishment in return – as well as smaller players. Though this leads to some repetition, the narrative remains taut.

Insider trading, as Jed S. Rakoff, US district judge who convicted Gupta, said in his judgment, is a crime easy to commit but difficult to catch. The book also reveals the relentless effort of Attorney for Southern District of New York, the India-born Preet Bharara, to nail Rajaratnam and Gupta. Though the evidence against Gupta was circumstantial, Rakoff considered it overwhelming.

Indian regulators have a lot to learn from the scandal and, more importantly, how the authorities went about nailing the accused. This book will help that process. ◆

N. MADHAVAN

Confronted by major limitations – no access to the subject or his family – Deb has relied on other kinds of research to put together Gupta's early life and career

When Salaries Turn Elastic

Variable pay becomes the norm across sectors. By MANASI MITHEL

This is the time of year when companies are on the brink of announcing increments and promotions, along with disbursal of the variable component of salaries. The final reviews of employee performance are usually completed in February and the announcements begin from April. Human resource consultancy Aon Hewitt in its recent 2013 Annual Salary Increase Survey has forecast average increments of 10.3 per cent for the year, with key talent getting 14.1 per cent – one of the lowest in a long time.

Not long ago, the concept of 'variable salary' hardly existed in Indian corporate houses. Today, most employees, especially those at managerial levels, find a part of their compensation – which can vary between six and 18 per cent of annual income, depending on the sector – listed as variable pay. Of the 410 companies figuring in a November 2012 survey by global human resource firm Hay Group, 85 per cent said they had introduced a short-term variable pay component in employee salaries.

But on what basis is the percentage of variable pay that an employee gets, disbursed? What are the parameters on which she is judged?

Earlier, most company managements remained mum on the matter. The bulk of employees were never privy to the company's appraisal process. "You got a variable pay and you had no clue why or how you got it," says S.Y. Siddiqui, Chief Operating Officer - Administration (HR, Fin, IT, Company Law & Legal), Maruti Suzuki India.

This, too, has changed. The appraisal process has evolved into a performance management system (PMS) at most corporate houses – including Maruti – and is freely shared with all employees. Companies define key competencies needed for different functions. They also keep employees up-to-date on what targets are expected of them through the year, providing them quarterly or mid-yearly feedback and reviews. "There are no longer any surprises at the year-end reviews," says Amogh Deshmukh, Head of Sales and Marketing at talent management consulting firm Development Dimensions International.

Many companies are recent converts to PMS. The Mumbai-based Wadhwa Group, for instance, a leading real estate company, did not have a structured PMS in place until last

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year. "We conducted an employee engagement survey," says Sunil Dutt, Head-Human Resources, Wadhwa Group. "Our own people told us they wanted things to be more target and performance driven."

Even the ₹5,000-crore Emami Group, with diverse interests, introduced performance linked variable pay for all its managers only last year. "We didn't have a variable pay option for all our managers before this," says N. Krishna Mohan, CEO (Sales, Supply Chain and Human Capital) at Emami.

This year there is yet another change – companies are putting added emphasis on soft skills and behavioural competencies while judging performance. "All large businesses have realised that it is behavioural competencies which will help them get ahead," says Deshmukh, the talent consultant. "It is not just the tangible KRAs (key result areas) that matter." Dutt of the Wadhwa Group agrees. "In our company, the variable compensation employees get will be based on both performance targets and behavioural targets in the ratio 60:40," he says.

Human resource veterans also maintain that the PMS should be a two-way street, with employees too getting a chance to assess management behaviour. "You can't blame employees for poor business environment. The assessment process should be sensitive to employees and not just be advantageous to the business," says Siddiqui of Maruti Suzuki.

Of course, the variable pay received does not solely depend on individual performance, the company's financial results matter too. The previous year was a tough one for automobiles and Siddiqui, for instance, does not expect Maruti to disburse variable pay at all this time.

Employees across sectors are naturally tense about the forthcoming increment announcements. Saurabh Goenka, a senior executive (Finance), with one of India's largest software services providers, who prefers not to reveal his surname, is more optimistic than the Aon Hewitt survey, but only marginally. Salary hikes will be around 12 to 14 per cent this year, he believes. "Our appraisals will begin in June, but already people have started becoming more visible in the office. Fewer people are going on leave now. I have started checking my targets for the year to ensure I'm on track," he says.

Hikes this year may not even take inflationary pressures into account. "Companies are looking at merit based increments now. This takes individual and company performance into account and could be lower than what people need because of inflation," says Muninder Anand, Information Solutions Business Leader at Mercer India.

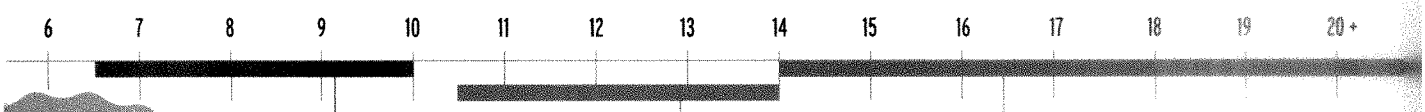
HCL Technologies has a separate review process for high performers. "We ensure we provide them feedback more frequently and consider them for deployment in larger and more complex roles than those they are handling so as to align their career to organisational growth," says a company spokesperson.

This year companies will stick to industry benchmarks on salary increments. "From the assessment of the last three to four months the overall market will be tough with increment lower, modest and a little tight," says Siddiqui about the automobile sector. ◆

Perform or Perish

The variable pay component varies across sectors, low (less than 8%) in some, aggressively high (up to 18%) in others

Performance-linked variable pay as percentage of total cost to company



CONSERVATIVE

SECTORS
- Transportation
- Construction
- Manufacturing
- Engineering
- Retail

MODERATE

SECTORS
- Life Insurance
- FMCG
- Information Technology
- Education

AGGRESSIVE

SECTORS
- Utilities
- Chemicals
- Natural Resources
- Services
- Oil and Gas

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Source: Hay Group

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Location: Mumbai
Job ID: 12688358
Decription: Develop a practice to b customer focused solutions in "Elec Distribution" domain.

LSI India Reaserch and Development Private Limited
Verification Manager
Location: Pune
Job ID: 12731544
Description: Working closely with SW team for device driver's development & customer troubleshooting.

Tesco Hindustan Service Center
Assistant Manager
Location: Bangalore
Job ID: 12915542
Description: Responsible f sustainability, carbon footprinting reporting solutions offered from H across Tesco Group.

eBay, Inc
Engineering Manager
Location: Bangalore
Job ID: 12817576
Description: Lead and build a team of extremely talented engineers and leads for eBay India Reginal COE (eBay India business).

Firstsource Solutions Limited
Operations Manager–Broking
Location: Mumbai
Job ID: 12881029
Description: Maintains harmony am employees and resolves grievances that escalated; performs or assists.

Omnitech Infosolutions Limited
Recruitment - Head/ Mgr
Location: Mumbai
Job ID: 12823400
Description: Solely responsible for maintaining client relation and handling the large key accounts from small to large size.

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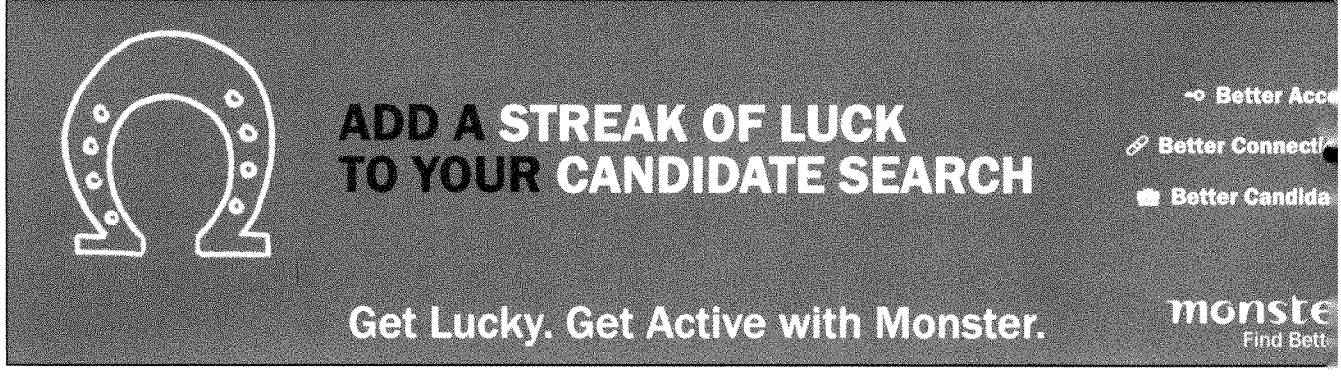

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On-boarding Sales Specialist
Location: Bangalore
Job ID: 11813572
Description: Own and manage integrat of a portfolio of key sellers who want to their products on Amazon's global s Support the launches of new progra categories and features.

Angel Broking Ltd
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Location: Ahmedabad
Job ID: 12768214
Description: Sales Executive has to report to the Asst Unit Mgr/Unit Manager and sourcing Demat accounts along with cross selling of Investment Products like Life Insurance, PMS (Portfolio Mgmt Services).

Kelly Services India Private Limited
Deputy Manager Sales
Location: Kolkata
Job ID: 12897629
Description: Should have sales (not inte sales) experience of high valve capital goc exposure to Engineering and Procurem contractors, lumpsum turnkey contr and public sector units.

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Corporate Sales Trainer
Location: Bangalore
Job ID: 12804498
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Akshay Software Technologies Ltd
Sales Managers
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Job ID: 12706816
Decription: Manage and Control Finance and Accounts related activities.

Syntel Limited
Financial/ Business Analyst
Location: Pune
Job ID: 12898018
Description: Knowledge of Mutual Funds, Capital Market, Reconciliation is must.

Gebbs Software International Ltd.
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Job ID: 11688006
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Deloitte Consulting India Private Limited
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Location: Hyderabad
Job ID: 12898674
Description: Relevant experience in Business Valuation and intangible asset Valuation.

ABC Consultants Private Limited
Chartered Accountant (CPA)
Location: Delhi, Mumbai
Job ID: 12368698
Description: Responsible for carrying out the Statutory Audit as per Indian GAAP,US GAAP, IFRS Audit, Quarterly reviews of listed clients.

Roland and Associates
Accountant
Location: Bangalore
Job ID: 12922884
Description: Area of main responsibility: Forecasting, Planning and Accounting.

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Accounting Executive
Location: Mumbai
Job ID: 12908781
Description: Good exposure of start to end Indian manufacturing accounting and reporting.

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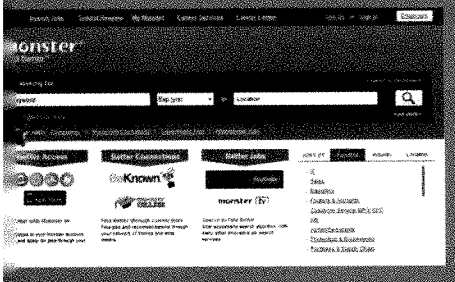

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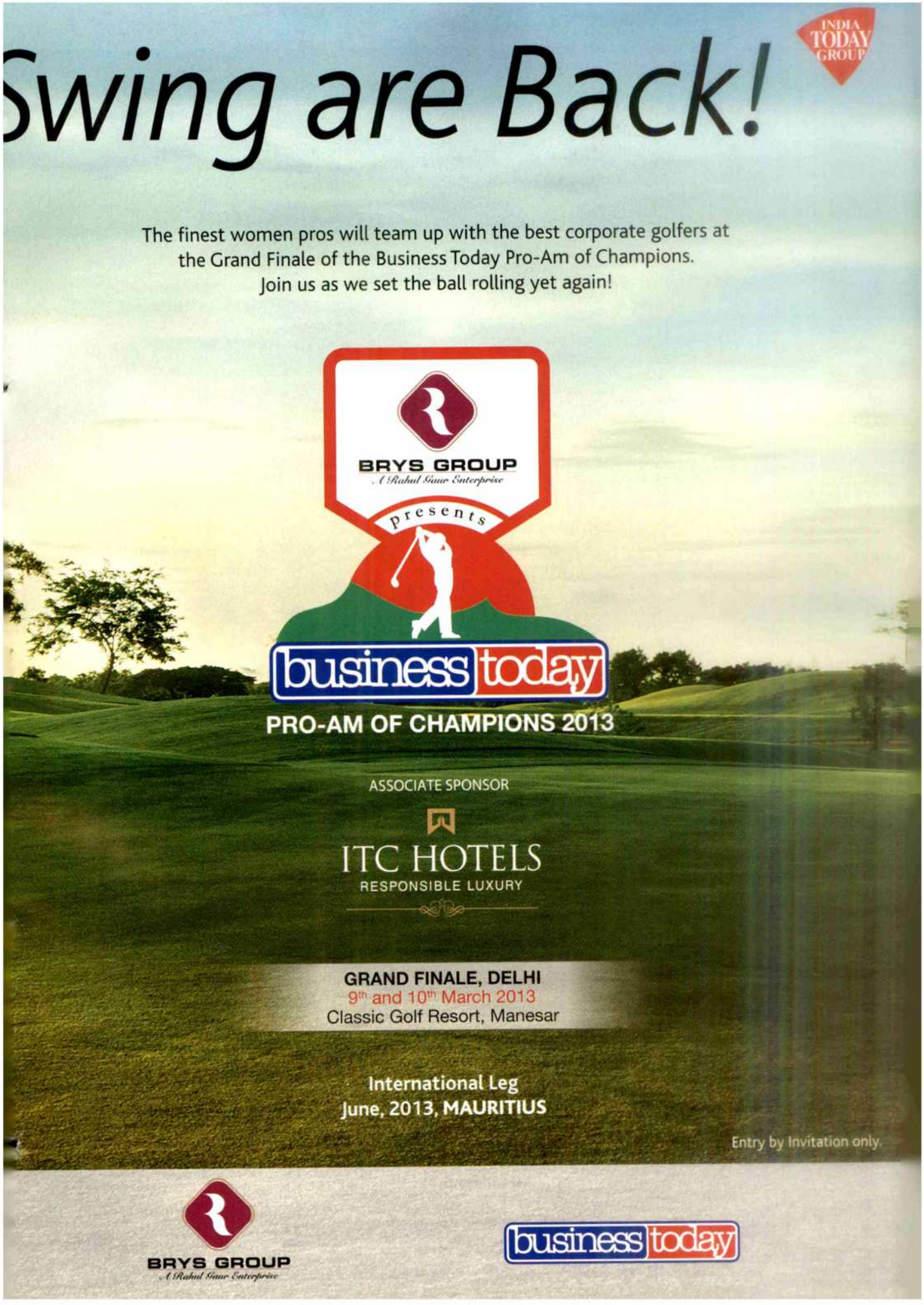
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Cannes-do Spirit

He watches about 1,700 films in the three months before the Cannes Film Festival to decide which of them should be screened there. Only about 50 make the cut. "My job is to say no," says THIERRY FRÉMAUX, General Delegate of the festival, a designation which hardly conveys the fact that he is the one who runs the show. He was in India recently as part of French President Francois Hollande's delegation. This year, he may find himself watching many more Indian films than usual – his festival has chosen India as the guest country for 2013 and will welcome a huge Indian film delegation to mark 100 years of Indian cinema. His favourite Indian film makers include Satyajit Ray and Guru Dutt. Frémaux plans to be in Goa next year for the Indian international film festival. "When I came to Cannes, I found that Bollywood cinema was not there. Then, we picked *Devdas* (2002). It was a unique film for the audience at Cannes," he says.

DEARTON THOMAS HECTOR

Thierry Frémaux
General Delegate,
Festival de Cannes

Adam Lawrence/ Deputy Master, The Royal Mint
Mehdi Barkhordar/ Chairman, MMTC-PAMP India

(G)old Days Return

The Royal Mint's gold sovereign coins will now be produced in India again, nearly a century after this country stopped doing so in 1918. They will be minted at MMTC-PAMP India's newly-built refining and manufacturing plant in Haryana. MEHDI BARKHORDAR (right), Chairman of MMTC-PAMP India, claims it is the most advanced precious metal facility in the world, with an annual refining capacity of 100 tonnes of gold, 600 tonnes of silver and minting capacity of 2.75 million pieces a year. Says ADAM LAWRENCE, Deputy Master, The Royal Mint: "India is the largest market for gold. We are offering Indian consumers the choice to buy a genuine gold coin that is available in over 100 countries today."

MANU KAUSHIK

SHEKHAR GHOSH

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Rice Loving Swiss

DAVOR PISK wants Indian policymakers to focus more on rice – from research and development of the seed to helping farmers find suitable and competitive markets. The Chief Operating Officer of Swiss chemical and agriculture company Syngenta AG recently met officials at the Ministries of Agriculture as well as Chemicals and Fertilizers. He believes Syngenta's Indian chapter will be able to do more business in integrated farm solutions, where it will provide not only seeds but also technology and crop production products. During his visit, Pisk also gave the Indian Council of Agricultural Research the Rice Bowl Index – a diagnostic tool jointly developed by Syngenta and the Frontier Strategy Group that provides insights and information about Asia's food security system.

ANILESH S. MAHAJAN

Davor Pisk
COO, Syngenta AG

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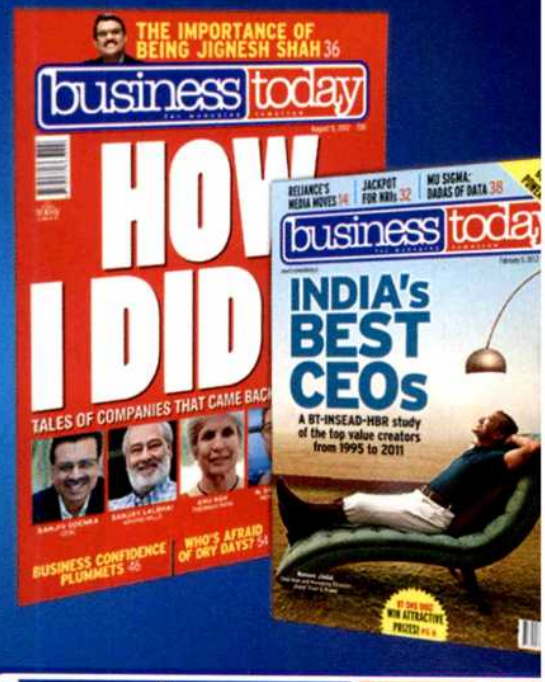

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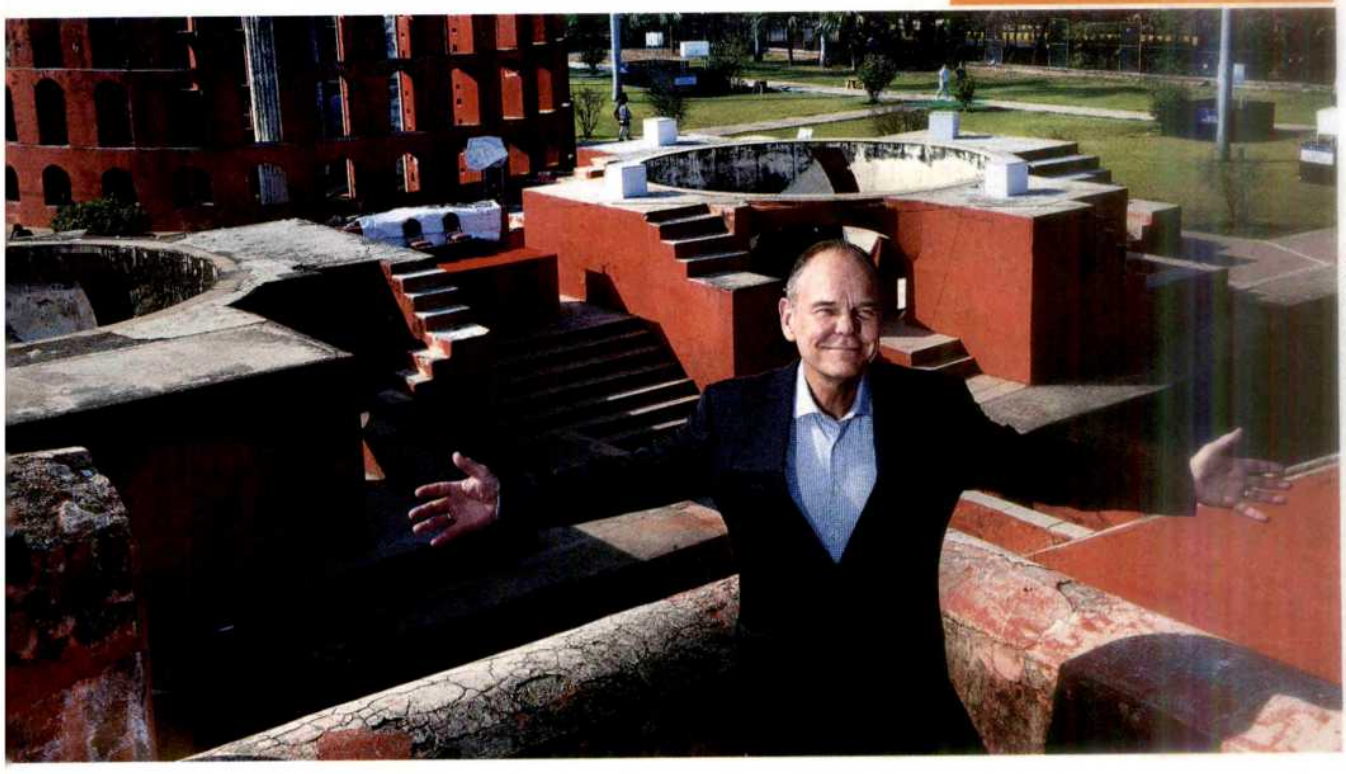
Open Mind

DON TAPSCOTT wears many hats – he is a bestselling author, a researcher and a business executive. But the Canadian is best known as a top management thinker. He was in India recently to launch the CMO League, a first-of-its-kind exclusive club for top marketers. He lists four principles for an open world – transparency, sharing, deciding what the new boundaries will be for institutions, and accepting that power is now distributed "through the people and not over them". Tapscott says India has been the biggest beneficiary of the opening up of boundaries. "India has now gone through a natural progression. It is no longer about labour arbitrage but about capabilities. You see the same thing happening in China with manufacturing."

NANDAGOPAL RAJAN

Don Tapscott
Author, thinker, business consultant



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Game for More

"India has a history and talent for making business software. Now, it has to channelise its passion for playing games into the business of creating them. There has never been a greater chance," says **IAN LIVINGSTONE**. Widely considered one of the founding fathers of UK's gaming industry, Livingstone founded the iconic games company Games Workshop in 1975 and soon launched the legendary *Dungeons and Dragons* in Europe. Subsequently, he was associated with the launch of the *Lara Croft: Tomb Raider*, and was in India to promote the latest version of the game. While the gaming industry is estimated to grow to $90 billion by 2015, in India it could be worth ₹3,000 crore by 2014.

NANDAGOPAL RAJAN

Ian Livingstone CBE
Gaming entrepreneur and bestselling author

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Joachim Murat
Managing Director, Morpho India

Tech Prince

His company won the contract to provide the technology for the first phase of India's Unique Identification (UID) or Aadhaar programme. Morpho, the leading French biometrics solutions provider, remains the preferred choice for the second phase too, which began in October 2012. **JOACHIM MURAT**, who heads Morpho's India operations, believes Aadhaar is unlike any other identification scheme in the world.

"In the first phase, which began in 2010, around 200 million Aadhaar cards were issued. In the second phase, we are expecting this number to increase to 700 million," he says. Murat also happens to be a descendant of Napoleon Bonaparte and is ninth in line to the title of Crown Prince of Naples.

MANASI MITHEL

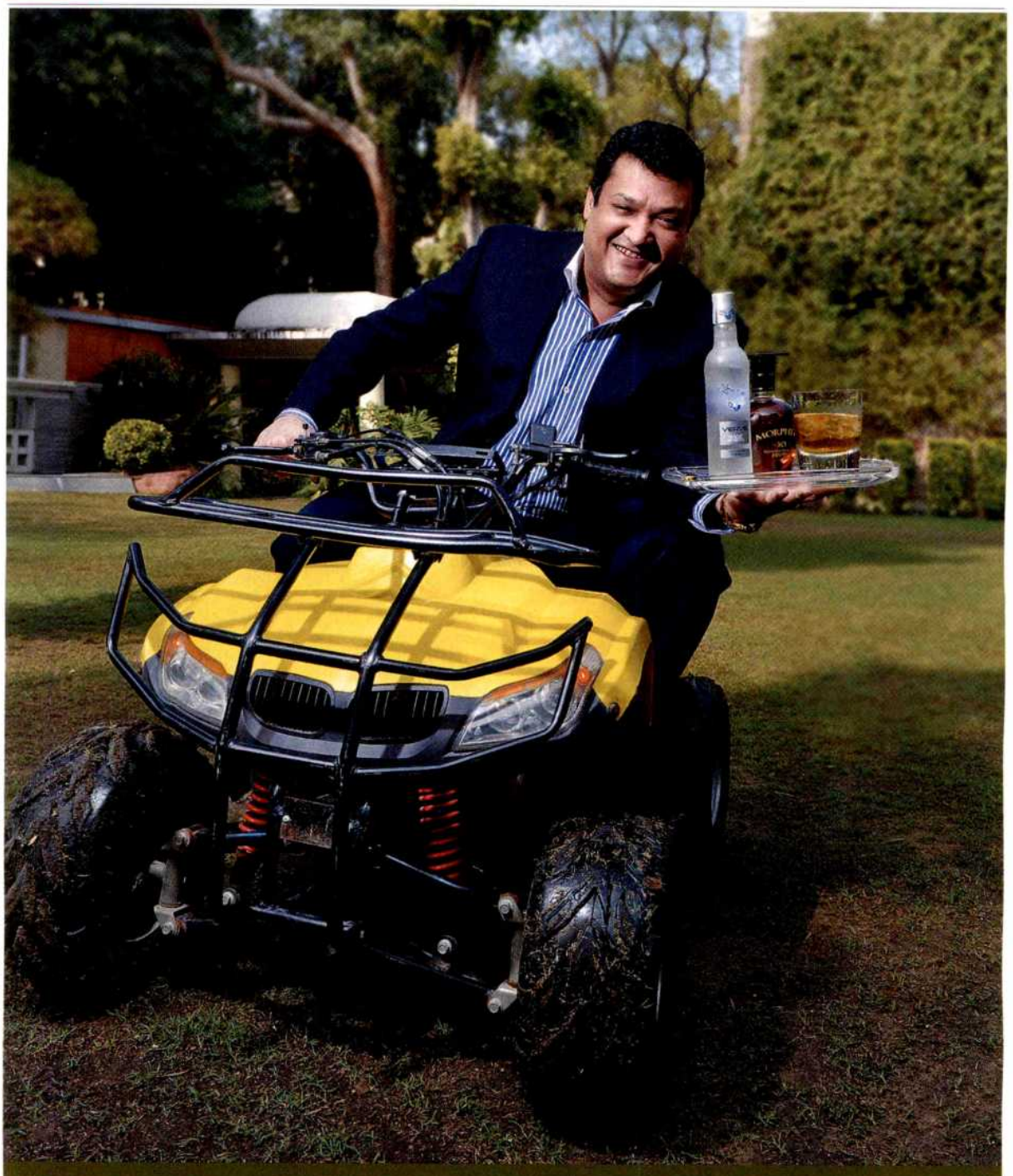
NISHIKANT GAMRE

Somasundaram P.R.
Managing Director, India, World Gold Council

Golden Opportunity

SOMASUNDARAM P.R., a former banker, takes over as the new Managing Director of the World Gold Council in India at a time when the government is struggling to contain the ever-growing demand in the country for the yellow metal. Somasundaram believes the recent hike in import duties is a short-term measure and the long-term trend for gold will stay positive. "The hike is understandable as the government is struggling to manage its finances. But we will have to strike the fine balance between the government, the consumer and the manufacturer, as we also have to consider that the industry provides livelihoods to a lot of people."

MAHESH NAYAK



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ABHISHEK KHAITAN

MD, Radico Khaitan

My leadership style

- ☐ Delegative
- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
Akhilesh Yadav

The business leader I admire the most
Ratan Tata

The leadership lesson I remember best
A real leader is content to point the way, thereby stimulating his team to chart a path of its own

A book I would recommend on leadership
Steve Jobs by Walter Isaacson

The difference between a manager and a leader
A leader sets examples for other to follow, while a manager ensures delegation and effective communication

All good managers are good leaders
No

As told to Vivan Mehra

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TELECOM: BRAND INDIA STRIKES BACK 62

HOW OREO CONQUERED INDIA, CHINA 108

THE THREAT OF CLASS ACTION SUITS 15

BUDGET SPECIAL
PC's MANY FACES
42

business today
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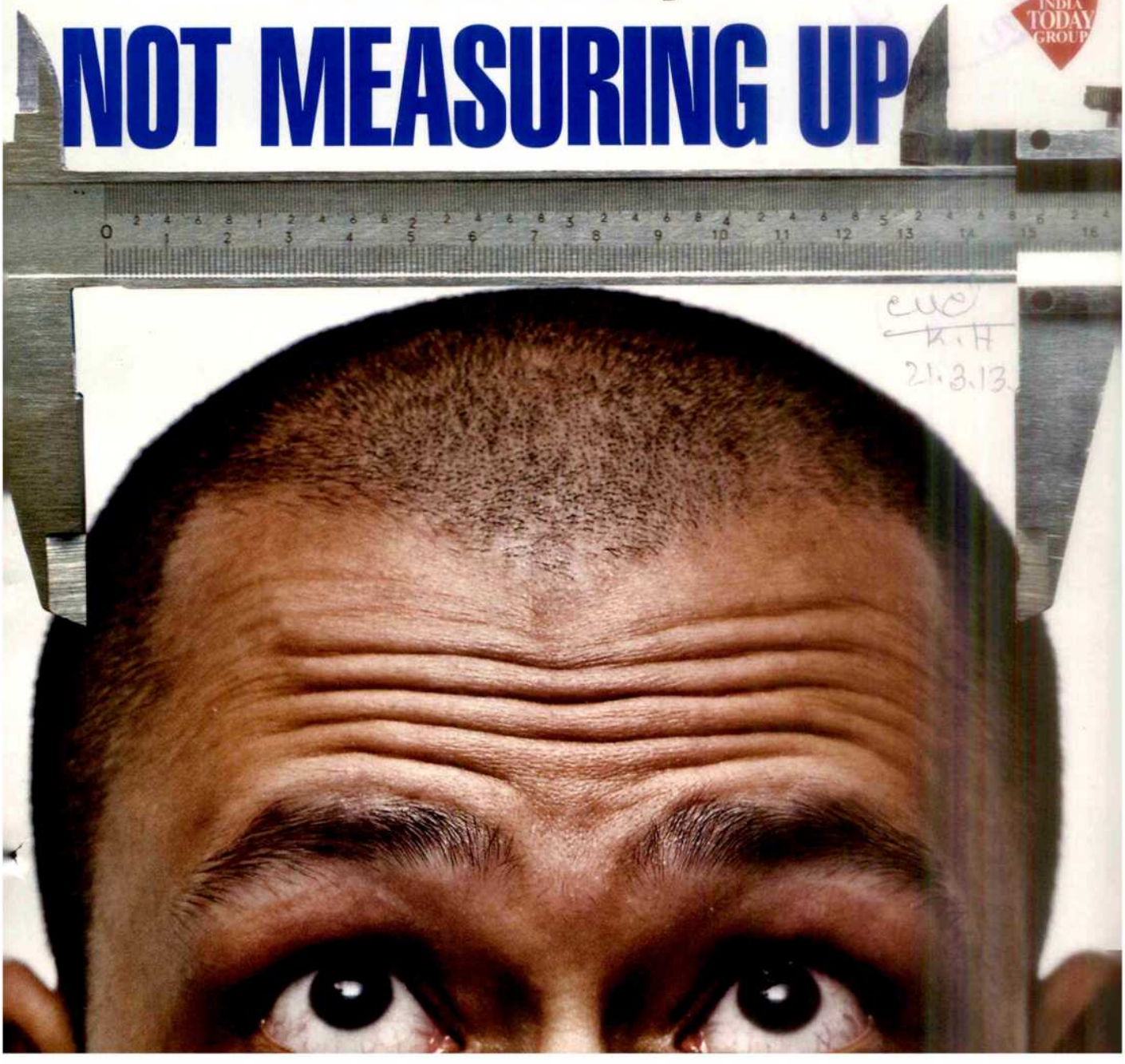
March 31, 2013 ₹40

India needs to spend ₹5 lakh crore to skill its young, or risk a stalled economy

NOT MEASURING UP



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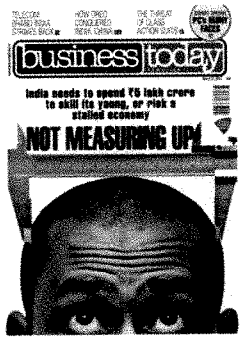
From the Editor

Exactly two years ago we ran a cover story on India's skills crisis. This was just after Subramanian Ramadorai was named Adviser to the Prime Minister in the National Council on Skill Development. How quickly have we moved down the skilling highway? Glacially slow, and frighteningly so. For a nation where tens of millions of young people reach working age every year, we seem unperturbed. More and more committees are formed, policy papers published, and the ice crawls a little further. Most Indians associate security with white-collar jobs when vocational training and artisan skills could provide them with better incomes. The government's Economic Survey for 2012/13 paints three hypothetical scenarios: in 'business as usual' there are too few quality jobs, organised manufacturing does little to train workers, and "there is a continuing mismatch between employer needs and worker capabilities". If there are reforms, the Survey says, "The manufacturing sector becomes a training ground for workers, absorbing more students with a middle or high school education." If there is decline, however, the Survey predicts growing social inequality, shrinking landholdings, "large-scale migration to overburdened cities" and so on. Hopefully, we will take the reforms path at the crossroads. Senior Editor Shamni Pande looks through the periscope in our cover story starting on page 68 and spots more than one torpedo headed our way. Five years ago, inspired by Professor C.K. Prahalad's India@75vision, the Indian government adopted a National Policy on Skill Development, vowing to "create a workforce empowered with improved skills, knowledge and internationally recognized qualifications to gain access to decent employment" by 2022 – 75 years after Independence. About time.



We nearly headlined our deep look at our finance minister "Being PC" but didn't, although P. Chidambaram did try to do the right thing by women, children, old people and the poor in his omnibus Budget. He also presented an altogether new face in a Google+ Hangout four days after serving up a clever kedgeree; he imposed some pain here and there – including on the laughable figure of 42,800 taxpayers whose annual income is above a crore rupees – while raising spending just enough, with one eye cocked at the rating agencies that have threatened a fiscally unbalanced India with a downgrade. Senior Editor Sanjiv Shankaran, who covered candidate PC in his Sivaganga constituency in Tamil Nadu in 2009, assembled the story. You will find the other parts of our Budget analysis equally engrossing – from Santosh Kushwaha's graphic rendition of the Budget's goals, benchmarks and outcomes (page 50), Shweta Punj's look at the proposed women's bank, and columnist Hari Ramachandran's analysis of the effects on the commodities markets.

Budgets do exert a disproportionate influence on our national psyche, although they are turning into broad policy blueprints with a lot of executive action happening outside of the Finance Bill's confines. But examples of pellucid prose they are not. Take this gem from Chidambaram: "Madam Speaker, the last day of February is another day in the life of a nation. We pause today, to reflect on the past and the future, and we shall resume our work tomorrow." A little less lyrical than Donald Rumsfeld's "There are known knowns. There are things we know we know. We also know there are known unknowns. That is to say we know there are some things we do not know." But our economic czars believe perversely in some sort of poetic justice when they mete out their medicine. Chidambaram quoted his favourite Tamil poet Tiruvalluvar in his speech and a couple of days before him Railway Minister Pawan Bansal quoted some rather puerile verse from American poet Christine Weatherly. If all this train-spotting is wearing you down, you may want to go to page 102 where Dearton Thomas Hector tells you some rather interesting things about the Indian Railway Catering and Tourism Corporation – including the fact that it hardly caters to trains now.

Chaitanya Kalbag

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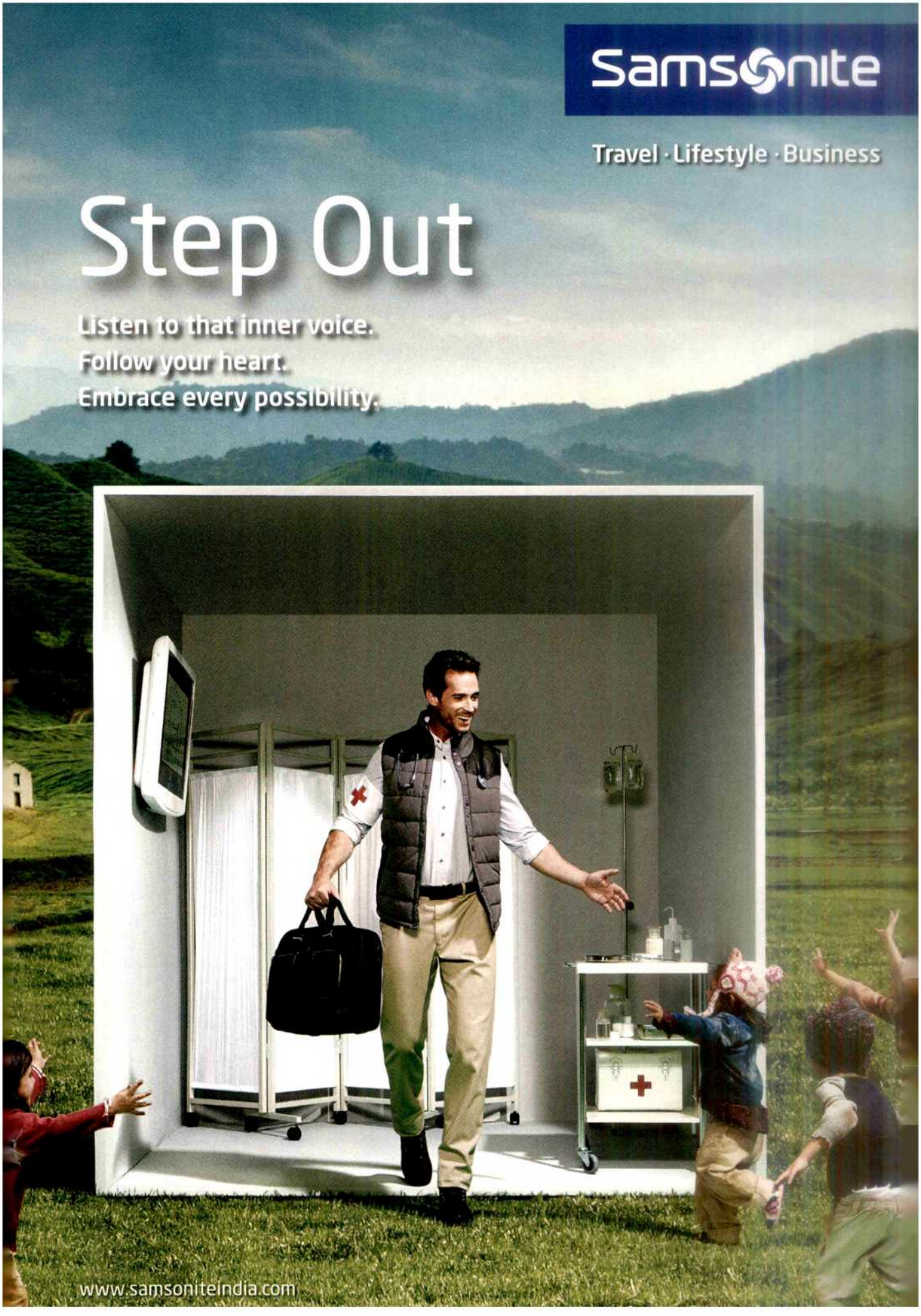
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Timely Analysis

You have brought out a cover story on real estate (*Balancing Act*, March 17) at the right time. It analyses the real estate business scenario minutely, highlighting the major drawbacks. If a customer could leave everything from purchase and renting of properties to their maintenance to a reliable firm, both stakeholders would enjoy the transaction. This may boost the real estate business.

Jacob Sahayam, *Thiruvananthapuram*

Chink in the Armour

The feature on the AgustaWestland chopper scandal (*Deadly Downdraft*, March 17) reveals irrefutable facts about the deal and the serious consequences of blacklisting Finmeccanica for having paid alleged kickbacks. It is quite unfortunate to find another chink in the armour of our defence, leaving a blot on our national image.

B. Rajasekaran, *Bangalore*

Corrections

The Sahara Group has clarified that Sahara Q Shop, its consumer retail arm, does not run a fixed-deposit scheme. The returns mentioned in the Q Shop Plan-H certificates are loyalty points and not cash. Our story *Jack in the Box*, which appeared in the March 17, 2013 edition, suggested that the retail venture ran a fixed-deposit scheme that offered 2.35 times return in six years.

The caption accompanying the item *Wizard of Laws* (People section, March 3) misspelt the name of advocate Sarosh Zaiwalla and that of his firm Zaiwalla and Co as 'Sarosh Zaiwala' and 'Zaiwala and Co'. We regret the errors.

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CONTENTS

COVER BY KAPIL
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MARCH/31/2013
VOLUME 22/NUMBER 7

COVER STORY 68

SKILL BILL

The skills shortage is costing India dear, but remedies are slow because of uncoordinated ministries and popular aspirations that do not match reality

82 | "This year we will fall short of the target"
In an interview, **S. Ramadorai**, Adviser to the Prime Minister on Skill Development, discusses the gigantic skilling challenge India faces

82

UPFRONT

10 | Quick takes on major events

15 **FOCUS**

15 | Pulled Up in Class
The big boys of Indian IT need to guard against class action suits of the sort TCS recently faced

20 | Gainful Strides
Strides Arcolab founder sells his crown jewel, Agila Specialties, for $ 1.6 billion

24 | Silencing Sexual Harassment
The Bill to create a safe working environment for women is a positive step, but may be open to misuse

34 | Graphiti: Shrinking Cover

COLUMN
40 | Prof. Michael Pettis, Peking University, on how global financial crises are often triggered by imbalances caused by capital flows from countries with high savings to those with low savings

FEATURES

42

42 | The Many Faces of P. Chidambaram
The finance minister's economic legacy runs counter to his image as a friend of big business

50 | Extracting the Essence
The current Budget assumes the economy will perform better than in the previous year and tax administration will be much more efficient

COLUMN
52 | Hari Ramachandran, Editor in Chief, Indoasiancommodities.com, on the Budget's impact on commodities

54

54 | Safe and Steady
Four experts deconstructed the Budget at a *Business Today* panel discussion, streamed live to *www.businesstoday.in*, minutes after finance minister presented it in the Lok Sabha

58 | A Bank of Her Own
A bank exclusively for women, as announced in the Budget, is a good idea. But will it find enough custom?

62 | Brand India Takes a Call
Top Indian handset makers are changing tack to take on their multinational rivals

85

85 | Look East Policy
Not just Flipkart, many Indian start-ups move to Singapore to plug into a low-tax regime and easier access to Southeast Asian markets

ONLINE

A CUT BELOW
The skill shortage is costing India dear, but remedies are slow because of uncoordinated ministries and popular aspirations that do not match reality.
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BUDGET 2013

After Math
Number crunching, opinion pieces, industry views, videos and much more.
businesstoday.in/budget

An Uncommon Man
There was lots to see the day P. Chidambaram hung out on Google+, says Allan Lasrado.
businesstoday.in/chidambaram-hangout

PERSPECTIVE

Tomorrow's World
Complete coverage of the Microsoft Research TechFest in Redmond. By **Sunny Sen.**
businesstoday.in/microsoft-techfest2013

New Bottle
Goutam Das looks at why a Nasscom panel wants India branded as an innovation centre.
businesstoday.in/nasscom-rebranding

BLOGS

Chatterati
N. Madhavan believes it's time for a different approach to farming in the Cauvery Delta.
businesstoday.in/madhavan

Word Mentality
Uma Asher looks at another Indianism: missed call.
businesstoday.in/uma

CONTENTS

FEATURES

90

90 | The Octopus of the Small Screen
With reality shows such as Bigg Boss, Endemol has emerged as one of India's biggest TV production companies. What does it plan to do next?

97 | Rocky Road
India is finally ready with its shale gas policy, but it does not signal the end of problems in harnessing this resource

102 | A New Recipe
Since it lost much of its train catering business, railway caterer IRCTC has begun cooking for companies

106 | Converting to Convertibles
Hybrids and convertibles are here, but they may prove too costly for the Indian market

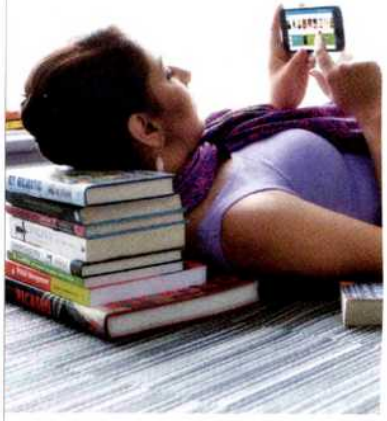
108 | LBS Case Study: Oreo
Faced with stagnation in the domestic market in the US, Kraft Foods moved Oreo into emerging markets where it made some mistakes, learnt from them and ultimately triumphed

122

122 | Swinging Time
Top corporate honchos putted hard at the *BT* golf event in Bangalore

MONEY

124 | Greed vs Fear in Investing
The right kind of mutual fund portfolio combines stability with limited risk



134

LBNL

134 | *Five Point Someone* on a 5-inch Phone
With e-books and apps, Indian publishing goes mobile

RIGHT CLICK
137 | Sound in Motion
Dolby Atmos is transforming the way sounds reach movie audiences

137

SMART EXECUTIVE
141 | Compulsive Correspondents
Some managers mistakenly think they add value by spamming colleagues

BOOKEND
144 | What You See Is What You Get
The book draws from a potpourri of academic work to show Indians are far from inscrutable

CAREERS
145 | Green Card Holders
The demand for professionals who understand environmentally sustainable business is on the rise

154 | PEOPLEBUSINESS

LEADERSPEAK
160 | Antony Jacob, CEO, Apollo Munich Health Insurance

Find the Right Job on Page:150-153
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Falling to Conquer: Mahendra Singh Dhoni is India's most successful Test cricket captain. His 22nd victory as skipper, achieved in Hyderabad against Australia recently, took him past Sourav Ganguly's 21 victories. If he continues to do well and leads India at the 2019 World Cup, Brand Dhoni will only grow bigger.

Corporate

Tata Motors, India's largest automaker by sales, has cut the prices of all its cars, except the Nano, by ₹29,000 to ₹50,000. It has raised the prices of its sports utility vehicles Aria, Safari and Sumo by ₹7,500 to ₹11,000. For the record, Finance Minister P. Chidambaram has made it clear that there will be no rollback in the excise duty hike on SUVs, from 27 per cent to 30 per cent. The three per cent duty hike will go a little way in recouping the subsidy on diesel, a fuel used by 98 per cent of SUVs.

Corporate India will dole out an average salary increment of 12 per cent this year. This will be similar to last year's levels, according to HR consulting firm Mercer's Total Remuneration Survey 2013. In February, Aon Hewitt predicted an average salary hike of just 10.3 per cent for its employees.

After Vodafone and Shell, Cadbury now faces the ire of the taxman. A show-cause notice has been sent to the chocolate maker, alleging it dodged taxes of around ₹250 crore. Cadbury is said to have manipulated documents and its accounting system to get a tax exemption in Himachal Pradesh.

German sportswear giant Adidas has revised its estimate of the impact of the alleged fraud by top executives at Reebok India. Its balance sheet for 2011 is negatively impacted by €153 million (over ₹1,090 crore). Last April, it estimated a pre-tax of €125 million.

There could be an interesting outcome to the **Budget**'s proposal to raise the import duty on bikes above 800cc to 75 per cent (from 60 per cent). You may get to ride more locally made Harley-Davidson bikes. Currently, the American motorcycle maker is expanding the range of bikes it assembles in Haryana. Prices have also been reduced on some models to boost sales.

They are among the most coveted jobs this placement season. Around 168 IIM Bangalore students applied to become Reliance Industries chief **Mukesh Ambani**'s executive assistants (EAs). Thirty students were shortlisted and a handful made it to the final round. The selection process was carried out through a video conference. Other head honchos are also reported to be keen on having IIM students as EAs.

The Wharton India Economic Forum stirred a controversy after it cancelled Gujarat Chief Minister Narendra Modi's address through a video link. The forum is scheduled to be held on March 23 in Penn Museum, Philadelphia. Following the cancellation, some Indian companies pulled out as sponsors of the event. Corporate India is divided between two camps – one supporting Modi as the next Prime Minister, and the other refraining from taking a stand.

Economy

First, global ratings agency **Moody**'s cautioned against a negative credit outlook in the Indian economy. Then, it gave a thumbs up to the Budget, saying it is credit positive for the country. It has cited the revival of investment sentiment and concessions to industry as well as initiatives to revive the infrastructure sector as reasons for the change in stance.

Chief Economic Advisor **Raghuram Rajan** does not mince words on the state of the economy. He says the record high current account deficit is increasing the dependence on

foreign investments, making India vulnerable to a sudden stop or reversal in fund flows. The current account deficit is expected to be around five per cent in 2012/13.

The **Comptroller and Auditor General** has now targeted the farm debt waiver scheme of 2008, saying that in several cases ineligible farmers were given benefits while deserving ones were left out. In all, 36 million small and marginal farmers, and six million other farmers were given debt relief worth ₹52,516 crore.

16.5%

Market share of Hewlett-Packard in the Indian PC market in the fourth quarter of 2012. The Palo Alto, California-based IT giant wrested the No.1 slot from Lenovo, the Chinese multinational computer hardware and electronics company, which had a market share of 13.2 per cent. Taiwan's Acer came in third.

$15 billion

Estimated value of trade between India and South Africa in 2014. South Africa sees opportunities in India's retail, financial services and infrastructure sectors. A BRICS summit to be held in Durban, South Africa, later this year is aimed at forging closer ties between the five-nation bloc.

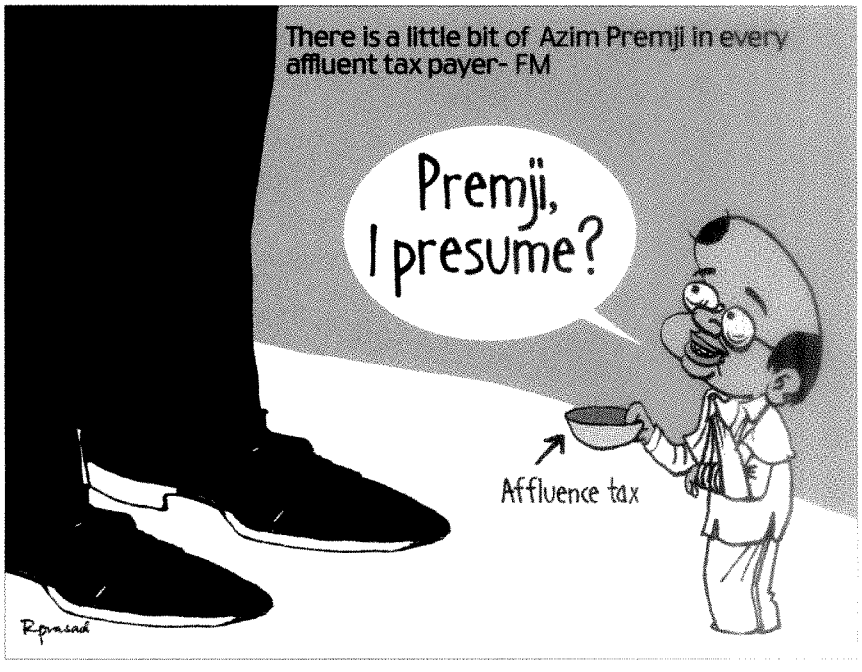
Markets

Reserve Bank of India Governor **D. Subbarao** has revealed some criterias for new bank licences. The applicants' innovative financial inclusion plans, for instance, will be looked at closely. The RBI has mandated that new banks should have at least 25 per cent of their branches in rural areas.

Bharti Airtel received a whopping $9.5 billion 'investment interest' from global investors for its $1 billion bond issue. The 10-year unsecured bonds will pay a coupon of 5.125 per cent per annum. The Sunil Mittal-promoted company has now become the largest private sector borrower from the global bond market in 2013, after RIL's $800 million perpetual bond sale in January.

Coming Up

- Prime Minister Manmohan Singh will visit the UAE later this month en route to Durban, South Africa, to attend the BRICS summit. This will be the first visit by an Indian PM to the Gulf nation in 32 years.
- An empowered group of ministers is likely to meet soon to decide the floor price for sale of a 10.82 per cent stake in Steel Authority of India Ltd (SAIL), expected in the second half of March.
- The government is planning to make electronic filing of returns mandatory for taxpayers with a taxable income of ₹5 lakh. Of 35 million taxpayers, about 1.8 million are in the ₹5-10 lakh income tax slab.



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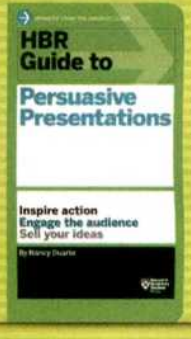

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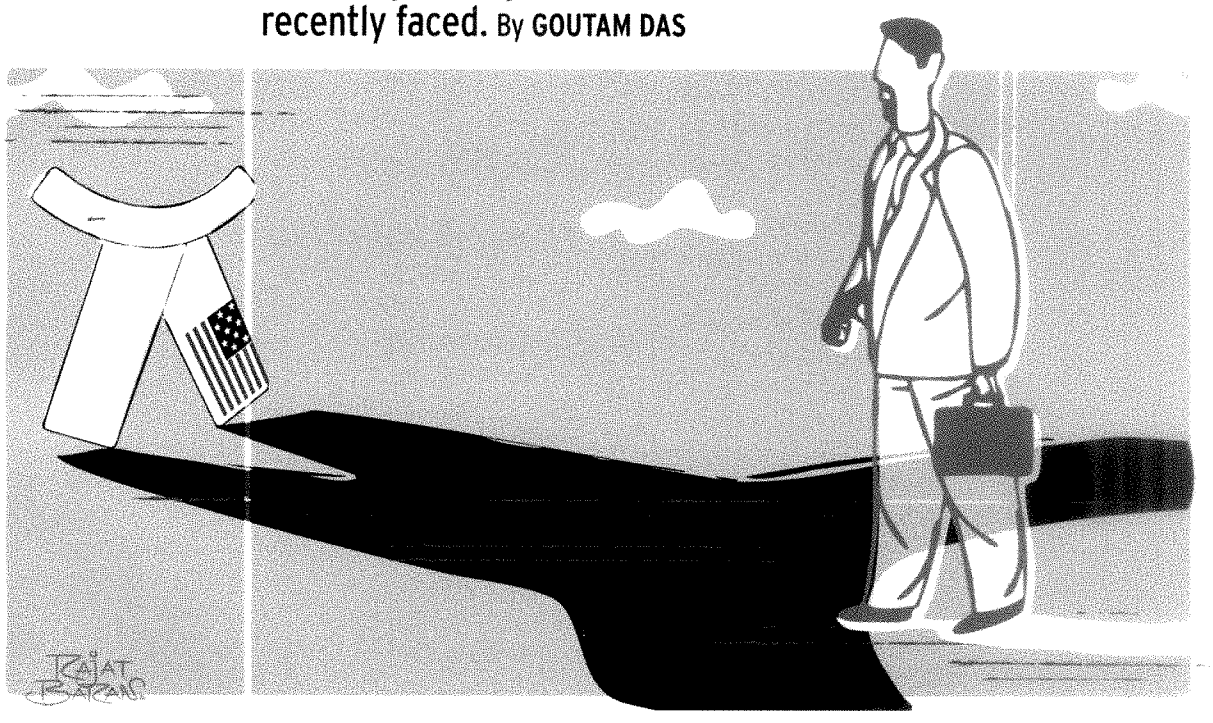
FOCUS

28 Bihar: Power Politics
30 A Droid in the Office
34 Shrinking Life Cover

Pulled Up in Class

As they expand across the US, the big boys of Indian IT need to guard against class action suits of the sort TCS recently faced. By **GOUTAM DAS**



$29.7mn
The amount TCS paid to settle a class action suit in the US

It was a Valentine's Day Tata Consultancy Services (TCS) would rather forget. On February 14, 2006, a former employee filed a class action lawsuit in a US court against India's largest software services exporter.

Gopi Vedachalam, an Indian sent by TCS to work on a client project in the US, alleged that the company was violating local employment laws. His suit, filed on behalf of 13,000 employees, stressed that TCS had "unjustly enriched" itself by asking all non-US citizen employees to pay federal and state tax refunds to the company. TCS, he alleged, was also making unauthorised deductions from pay cheques.

The case dragged on for seven years – a second plaintiff, another former TCS em-

What are class action lawsuits?

A group of people joining hands to fight a large corporation legally for a common cause

THEY CAN BE FILED FOR:

Financial fraud and erosion of shareholder value

Employment issues such as discrimination and unpaid overtime

Erroneous drug formulations

Consumer fraud

Manufacturing issues such as auto defects

Privacy issues

ployee Kangana Beri, joined the lawsuit. Many witnesses were examined and thousands of pages of documents were produced as evidence by both sides in a California court. Finally, on February 25 this year, TCS announced that it has reached a $29.75 million settlement, but did not admit to any wrongdoing. "We decided to end this case so we can focus our energies entirely on continuing to provide world-class service to our clients," the company said in a statement.

Class action lawsuits such as this, where a group of people join hands to fight a large corporation for a common cause, is a rare event for Indian companies operating in the US. While many multinational technology companies have been at the receiving end of class action suits, Indian companies have been largely insulated thus far. The only other prominent example is that of Mahindra Satyam's $125-million settlement in 2011 – a group of investors sued the company for damages in the aftermath of the Satyam scam in 2009. "The last year has seen an overall increase in the number of employment related class action lawsuits being filed in the US and it is expected that this trend will continue. However, we do not see any reason for an increase in class action lawsuits that are targeted at Indian technology companies," says Inderpreet Sawhney, General Counsel at IT firm Wipro.

According to US-based law firm Seyfarth Shaw LLP, 7,672 Fair Labor Standards Act (FLSA) class action lawsuits were filed in 2012, an increase of 893 cases from 2011. The firm expects the number to grow again in 2013 in employee-friendly state courts like California and New York. FLSA stipulates minimum wage and overtime payment norms among others. Technology giant Hewlett Packard (HP), for instance, is currently facing a class action lawsuit that charges the company with denying overtime work pay to employees.

While Sawhney does not think Indian tech companies will be targeted, there is a body of experts who feel that as these companies hire more locals in foreign markets and grow larger in size, exposure to such lawsuits will only increase. Following and interpreting labour laws in the US has been the Achilles' heel for many IT companies, say analysts.

"About 10 years back, Indian companies used to take people from India to the US and give them lower salaries. Many did not comply with minimum salary norms. Now that the companies are larger and more visible, they have to ensure laws are complied with to the dot," says Pradeep Mukherji, President and Managing Partner of management consulting company Avasant. Indian companies have to be wary of harassment laws, according to Mukherji. "If Indian managers are not sensitive to local issues, it can result in lawsuits. Racial, sex, colour-creed discrimination could lead to problems. The language used for running operations should be well defined," he says.

Some smaller Indian companies are seen to be not complying with local labour laws. It

EXPERTS SAY THAT AS INDIAN IT COMPANIES HIRE MORE LOCALS AND GROW LARGER IN SIZE, EXPOSURE TO SUCH LAWSUITS WILL ONLY INCREASE

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UNDER SCRUTINY

Most multinational tech companies have faced or are facing class action suits in the US

FACEBOOK:
In January 2013, Facebook decided to **pay $20 million to settle a class action suit** that charged the company with using pictures of users in an dvertisement product without their knowledge

GOOGLE:
In January 2013, a group of citizens in the UK **charged Google with tracking their online habits using cookies in the Safari browser.** The company has also faced lawsuits over digital books

APPLE:
In February this year, Apple settled a **lawsuit filed by parents of children who downloaded free games** from its App Store but subsequently ran up large bills because they bought in-game extras

HEWLETT PACKARD:
A lawsuit filed in San Francisco this year charges the company with **denying overtime payments to its technical support workers.**

ACCENTURE:
A lawsuit filed in 2010 charges the company with **discrimination over background checks,** particularly against African Americans and Latino workers.

IBM:
In 2006, IBM paid $65 million to settle a lawsuit relating to **denial of overtime payment** .The case was filed on behalf of 32,000 employees.

"THE U.S. IS A LITIGIOUS COUNTRY. WE SHOULD BE READY FOR SOMETHING LIKE THIS (LAWSUITS)"
V. BALAKRISHNAN, former CFO and board member, Infosys

is denting the image of the big Indian companies as well. For instance, in February, six executives working for a tiny company started by people of Indian origin, Dibon Solutions, were indicted in Texas on charges of visa fraud. The company marketed itself as an IT consulting company and sponsored H-1B visas for those willing to work in its Texas office. However, employees were then subcontracted to other technology companies.

So, how do India's large corporates guard against class action suits? Companies hold that while they do business ethically, they have little to be concerned about. "The US is a litigious country. We should be ready for something like this (lawsuits). As long as business practices are good, we don't have to worry about it," says V. Balakrishnan, former CFO and a board member at India's third-largest IT services company Infosys.

The best defence in employment law matters is to have robust policies that are clearly articulated, a strong human resources team that ensures the implementation of policies, a process of dissemination of information to managers and employees and an Ombudsman process to timely address employee issues, says Wipro's Sawhney. "A strong legal team is key to ensuring that compliance policies are in place. An employer should be in a good place to defend itself if a class action is brought against the company," she added.

While the TCS settlement has not unduly bothered analysts yet, its repercussions need to be watched nevertheless. If a body of stakeholders win a class action suit, others may be encouraged to file a similar suit quoting the previous win as a precedent, points out Sajai Singh, Partner with law firm J. Sagar Associates. The website of Lieff Cabraser Heimann & Bernstein, the law firm that represented Vedachalam against TCS, has an ominous message posted already: "Lieff Cabraser is investigating other Indian and American companies that may have also breached employment agreements and violated state labour laws for Indian employees sent or transferred to the US."Attorneys in a class action lawsuit can pocket as much as 30 per cent of the value of the settlement fund ($8.92 million in the TCS case), besides litigation expenses. That is good enough reason for them to be interested in Indian companies. ◆

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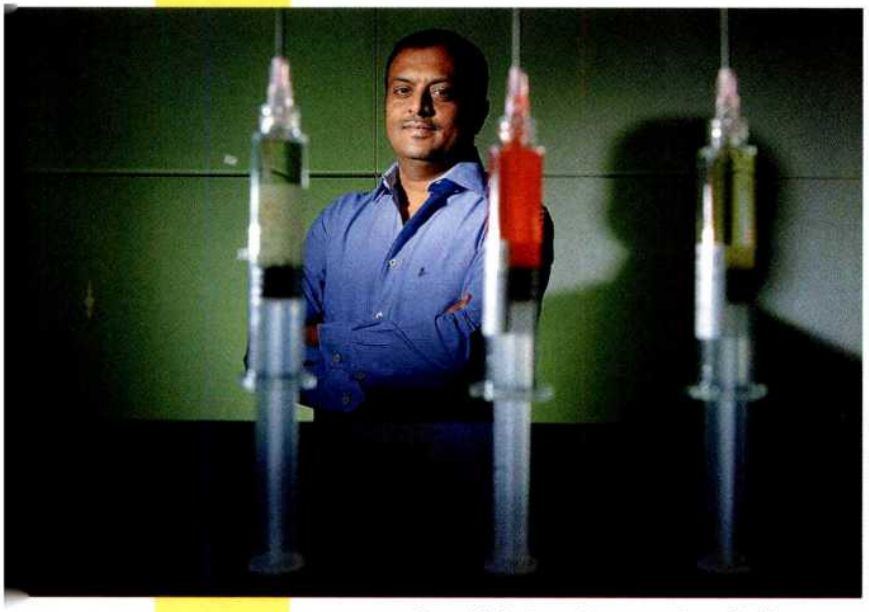
Gainful Strides

Strides Arcolab founder Arun Kumar sells his crown jewel, Agila Specialties, for more than $1.6 billion. By E. KUMAR SHARMA

When Arun Kumar cashed out his investment in Everonn Education seven years ago, many wondered whether he would be better off as an investor rather than an entrepreneur. After all, Kumar's returns from the money he put in as an angel investor in the education services provider, at ₹100 crore, were five times his net worth in the company he had founded – Strides Arcolab. But, on February 28, Kumar proved he was equally adept at creating new businesses as well when he announced the sale of Strides's injectable-medicine business, Agila Specialties, to US drug giant Mylan Inc. What is his investment strategy? "I am dispassionate about my investment and I have been good with timing," he told *Business Today*.



NILOTPAL BARUAH

On a high: Arun Kumar set up Strides in 1990 at Vashi, Navi Mumbai

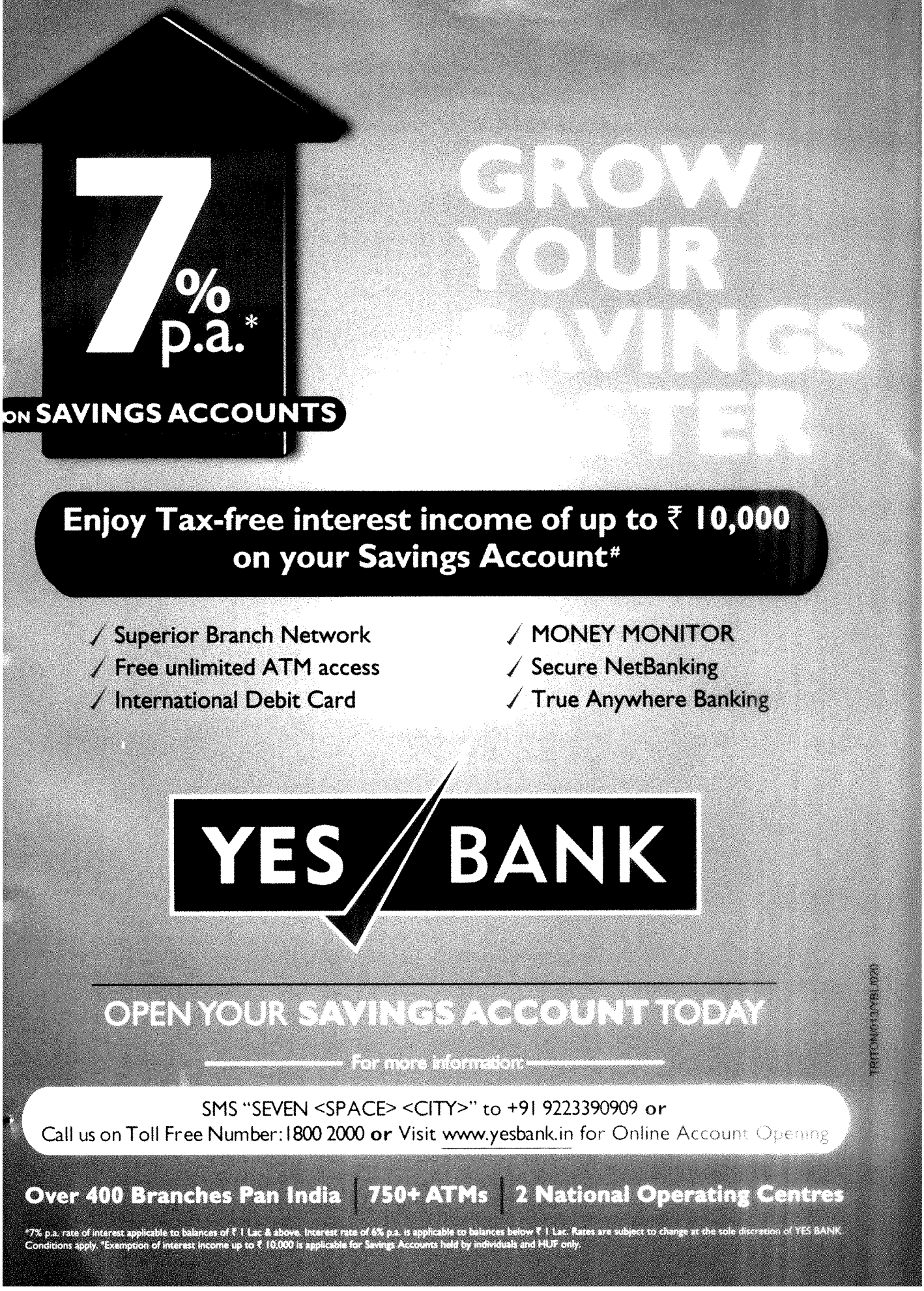
Son of a government official, Kumar hails from Kerala and grew up in Ooty. He was just 21 years old when he set out for Mumbai in 1982 to seek his destiny. In his initial days, he worked with the Bombay Drug House and British Pharmaceutical Laboratories. He set up Strides at Vashi, Navi Mumbai, in 1990. The company expanded rapidly between 1996 and 2006, and piled on debt. "We invested with very low bandwidth of management and finances and we paid the price of doing things wrongly," admits Kumar, who is also Strides's Group CEO. "We realised the importance of doing fewer things better than doing a lot of things."

What has come in handy is Kumar's knack of making money from his investments. "Arun is unconventional and likes to buck the industry trend," says an associate who has known Kumar for more than two decades. "He picks a niche area to operate, creates value in that and exits at the right price at the right time."

The Agila deal proves just that. The sale, at more than $1.6 billion (about ₹9,000 crore), is one of the biggest deals in the Indian pharmaceutical sector in recent times. Strides will get an additional $250 million if it meets certain undisclosed conditions. Kumar says the investor community is being guided to consider $1.725 billion as the potential final payment. The deal is valued at 18.7 times Agila's earnings before interest, tax, depreciation and amortisation for 2012. The importance of Agila can be gauged from the fact that the deal size is more than the market value of Strides and also higher than Mylan's $1.3 billion revenue from the Asia-Pacific region.

"The deal is based on Strides's research, development and manufacturing capabilities and its marketing strengths in some emerging markets," says Ajit Mahadevan, Partner, Life Sciences, Ernst & Young India. The deal has also caught the attention of some industry leaders. "It is a good exit for the promoters and a good fit for Mylan," says G.V. Prasad, Vice Chairman and CEO of drug maker Dr Reddy's Laboratories.

Kumar, who when not at work would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rather experiment in the kitchen and collect paintings, says the money made from the Agila deal will be used to retire debt and invest in new businesses. The nascent biologics business will get $100 million while $250 million will be used to repay debt. Shareholders will get between $700 million and $800 million.

The Everonn and Agila deals are no exceptions. In January 2012, Strides sold its 94 per cent stake in Ascent Pharmahealth, a subsidiary with operations in Australia and Southeast Asia, to Watson Pharmaceuticals for $393 million. Strides had invested $75 million in Ascent, says Kumar.

Kumar's focus since then was on injectables, the key business of Strides Arcolab, which attracted Mylan. The US company says the global generic injectables market is likely to grow at a compound annual rate of 13 per cent from 2011 to 2017. The combined portfolio of Mylan and Agila will cater to about 70 per cent of regulated market demand for injectables, it says.

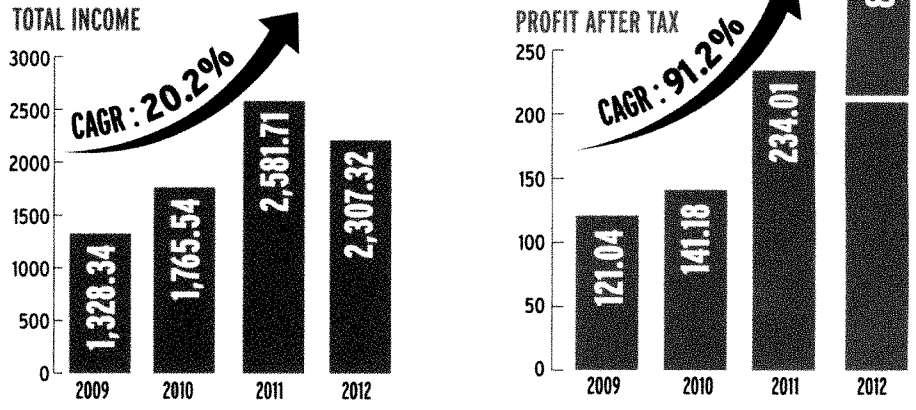
Analysts say injectables, the business Strides is selling, is an interesting segment, partly because making injections is more difficult than making tablets. Plus, this is a product more targeted at hospitals than individuals. This means that there are fewer players in the market. The upside is that when innovator products go off patent, prices of generic versions do not fall drastically. The size of the injectables market is much smaller than that for oral drugs. In the global pharmaceuticals market of around $800 billion, the size of generic injectables would be one per cent, says Kumar. But, as Mylan said, the segment is growing at a much faster pace.

But if Kumar is so investment savvy then why did the stock market give a lukewarm response to the Agila deal? Shares of Strides fell 18 per cent following the announcement. Analysts feel the drop was because Kumar sold his crown jewel. Agila was Strides's most profitable business and accounted for nearly 60 per cent of total revenue. What remains with Strides now are biologics and pharmaceutical oral dosages businesses. While the company gets no revenue from biologics, the business it is investing in now, sales from oral dosages are less than ₹1,000 crore.

Still, Kumar is unperturbed. His goal now is to push the pharmaceutical products and biologics businesses. He is focusing on growing in Africa, like he did in Australia. His plan is to expand the oral pharmaceuticals business and sell prescription drugs in Africa. He is also setting up a biologics facility in Malaysia with plans to make it operational by the end of 2014. "The business that is left is growing at a brisk pace, so we should be able to catch up this lost turnover very shortly," he says. "We have a track record of identifying niche areas, difficult products and excelling in that." ◆

Consistent Performer

Strides Arcolab's revenue and profit have grown steadily



Figures in ₹ crore; consolidated results; CAGR is compound annual growth rate
*Profit for 2012 jumped because of gains from a stake sale in Ascent Pharmahealth

Source: ACE Equity

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Silencing Sexual Harassment

The Bill to create a safe working environment for women is a positive step, but may be open to misuse. By SHWETA PUNJ

It is a landmark piece of legislation for millions of working women in India. But while the country's first bill to stop sexual harassment of women at work helps create a safe working environment for women, it also lays itself open to misuse and misinterpretation.

Under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Bill 2012 passed by Parliament in February, all employers have to set up a committee to investigate harassment complaints within 90 days. Employers who fail to comply will be fined ₹50,000. The bill not only covers public and private companies but also temporary workers, agricultural labourers and domestic workers who are most vulnerable to sexual exploitation.

THE BILL'S REDRESSAL SYSTEM LEAVES WOMEN VULNERABLE TO INTIMIDATION

But implementing the bill may not be easy. "A bill like this is very important, but we need a mature approach towards sexual harassment. We have to be careful in how we define sexual harassment. It is misunderstood," says Kiran Mazumdar-Shaw, Chairman and Managing Director of biotechnology firm Biocon. "Today, if women are told that they are not performing, they confuse it with sexual harassment."

Morever, the definition of sexual harassment is open to interpretation. The bill says sexual harassment includes any physical, verbal or non-verbal conduct of a sexual nature, but is not limited to any conduct that creates a hostile work environment for women. Experts say it is often tough to pin down cases of sexual harassment. "It is a very grey debate, a lot of times it is unclear what comprises harassment," says Sairee Chahal, Co-founder of Fleximoms, a company promoting flexible work solutions for women. "Corporates have to increase sensitisation. Most leadership teams don't have women, that has to change."

The bill's redressal system also leaves women vulnerable to intimidation. It allows companies to transfer women or send them on leave with their consent during a sexual harassment investigation. It also makes it mandatory for them to provide documentary proof for sexual harassment charges and provides no scope for further inquiry after an internal committee has settled a matter.

Lawyers say proving sexual harassment is a big challenge. "Your male manager might just crack a joke which could offend you," says Pooja Chandra, a partner at PCA Law Firm. "The legislation addresses a comp-lex problem in a one-dimensional manner." ◆

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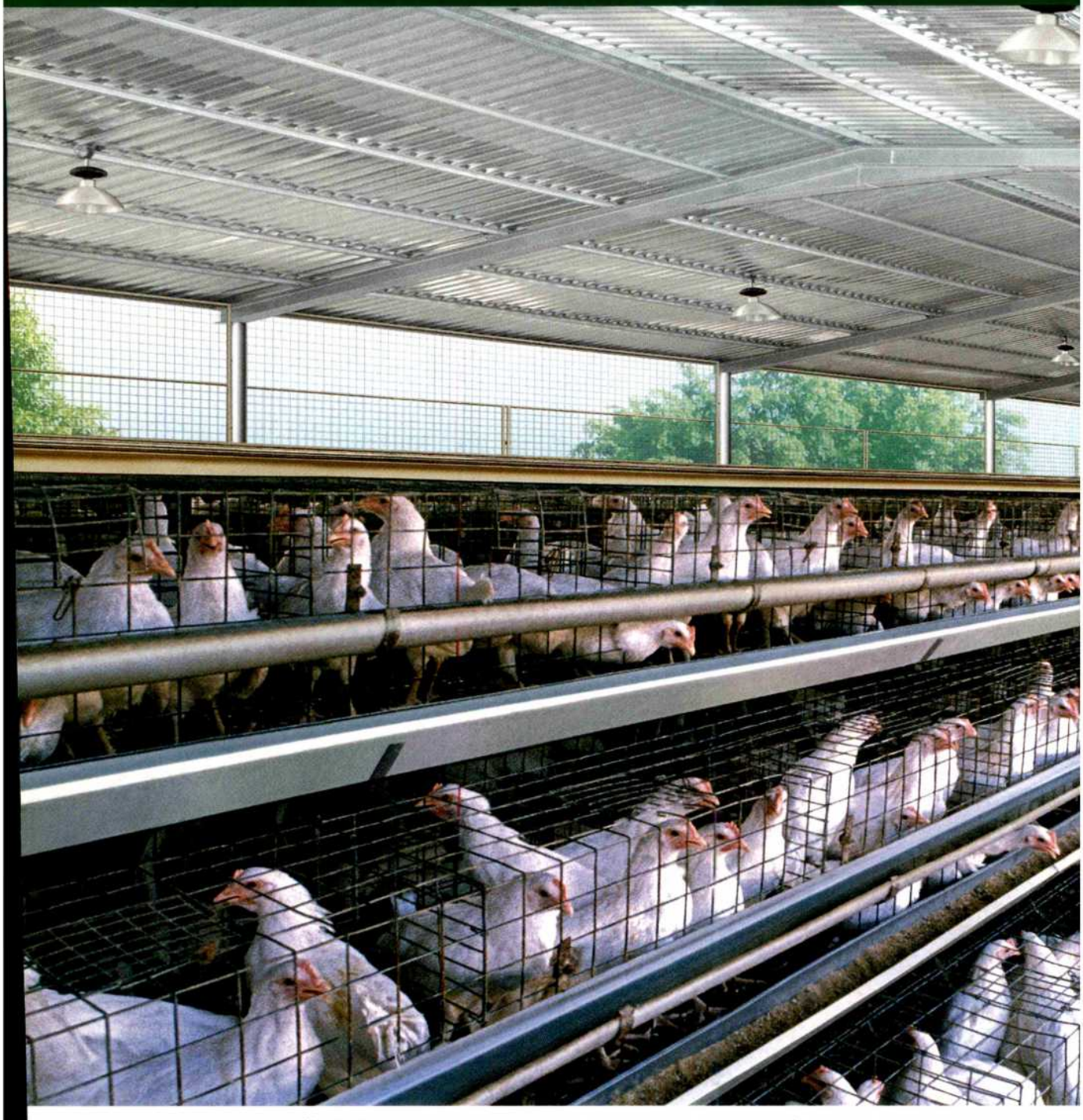

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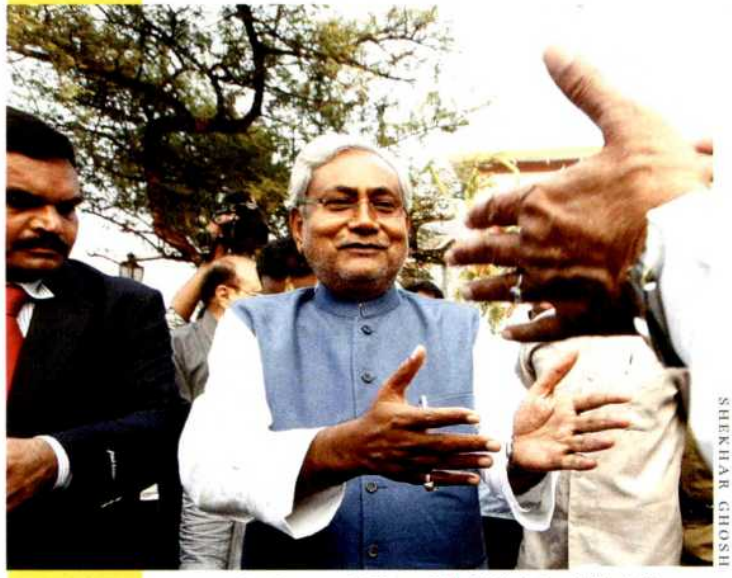
Power Politics

The approval of a new ultra-mega power plant for Bihar is yet another pointer to the UPA's keenness to woo Chief Minister Nitish Kumar. By ANILESH S. MAHAJAN



SHEKHAR GHOSH

In demand: Bihar Chief Minister Nitish Kumar

BIHAR NEEDS POWER BADLY. ITS PER CAPITA ANNUAL POWER CONSUMPTION IS 100 KWH. THE NATIONAL AVERAGE IS 700 KWH

The Central Electricity Authority (CEA) and the Power Finance Corporation have 'in principle' approved the setting up of a 4,000 MW ultra-mega power plant (UMPP) at Kakwara in Banka district, Bihar. Such a plant was one of the prime demands of Chief Minister Nitish Kumar to meet the state's growing need for power.

When the plant will start generation is anybody's guess. The Centre is yet to finalise the bidding documents, only after which the auction of licences to build not only this UMPP, but also others similarly sanctioned in Maharashtra, Odisha, Karnataka, Tamil Nadu and Chhattisgarh, will be held. Again, though the CEA has linked the proposed Bihar UMPP to the Rajmahal coal fields in Jharkhand for its coal supply, the Jharkhand government has repeatedly made it clear it is not willing to sell coal to Bihar, because of unresolved inter-state disputes between the two. (Jharkhand was carved out of erstwhile Bihar in 2000.) Even so, the power ministry's gesture is an indication of the flux national politics is currently in.

Nitish Kumar's party, the Janata Dal (United) rules the state in alliance with the Bharatiya Janata Party (BJP). But the relationship between the two parties has been under strain ever since moves to nominate BJP's Gujarat Chief Minister Narendra Modi as the alliance's prime ministerial candidate in the 2014 General elections began. Kumar can ill-afford to be seen supporting Modi, as this will drive away the bulk of his substantial Muslim support in the state. At the same time the Congress, in power at the Centre, has seen its own allies in Bihar – the Rashtriya Janata Dal and the Lok Janshakti Party – fare miserably in the last two elections, both won resoundingly by Kumar.

So, is the Congress trying to woo Kumar into its own United Progressive Alliance fold? In his recent Budget speech too, Union Finance Minister P. Chidambaram reaffirmed the Centre's commitment to Nalanda University in Bihar, as well as pledged to continue the special assistance to the state. Kumar, in turn, unusual for an Opposition leader, praised Chidambaram's Budget.

Bihar badly needs power. Its per capita annual consumption of electricity is around 100 kilowatt hours (kWh) against the national average of about 700 kWh. This is primarily due to limited installed capacity in the state, of around 540 megawatts (of which, less than half is available) as well as low allocation from the Central pool. Poor power availability has been hampering Chief Minister Kumar's efforts to build better infrastructure and improve the state's human development indices.

The site of the proposed UMPP has been finalised and will not require displacement of people, CEA officials revealed. "We have some issues relating to use of water and have asked the state government to get back to us on this," says one of them. ◆

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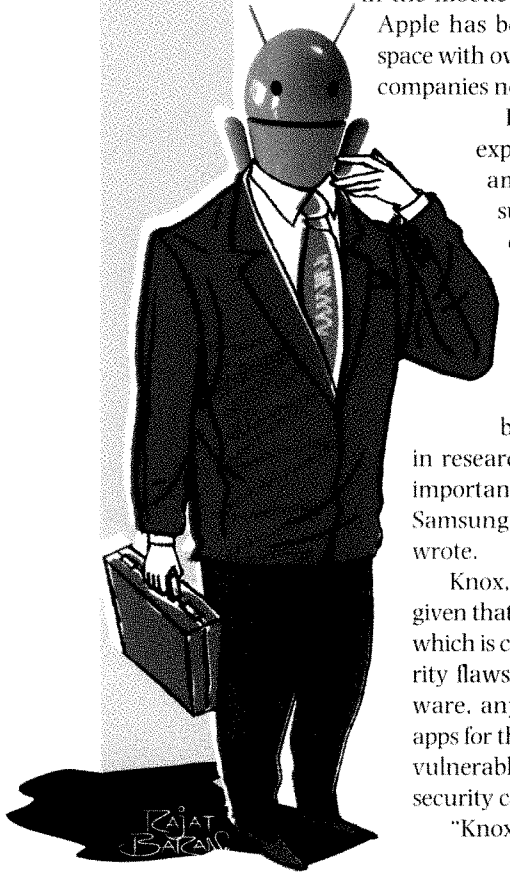
A Droid in the Office

Samsung's Knox is the first comprehensive Android mobile security solution for enterprises. By NANDAGOPAL RAJAN

KNOX WILL SEPARATE PERSONAL AND ENTERPRISE DATA INTO SEPARATE CONTAINERS, MUCH LIKE BALANCE, A FEATURE IN THE NEW BLACKBERRY 10 OPERATING SYSTEM

Samsung's consumer products may today be ubiquitous but it is still unknown as an enterprise IT vendor. That is about to change. At the Mobile World Congress in Barcelona, Spain, late in February, the Korean technology giant unveiled Knox, a comprehensive solution that addresses the "mobile security needs of enterprise IT". A week later, it showcased Knox at the Samsung Forum in Hyderabad.

Simply put, Knox, which can be deployed on the Samsung Galaxy SIII and Galaxy Note II smartphones, will separate personal and enterprise data into separate containers, much like Balance, a feature in the new BlackBerry 10 operating system (OS). Currently, BlackBerry, with roughly 25 million enterprise users, is the market leader in the mobile enterprise IT segment. But Apple has been making inroads in this space with over 90 per cent of *Fortune* 500 companies now using its devices.



Knox positions Samsung to exploit any softening in demand among enterprises and 'prosumers' (professional consumers) for BlackBerry devices, which have long been the benchmark for enterprise smart devices. Tony Cripps, a devices and platforms analyst at Ovum, a tech and business research firm, wrote in research note. "Knox could be an important differentiator over most of Samsung's Android device rivals," he wrote.

Knox, however, will face challenges given that it will run on the Android OS, which is considered to have major security flaws. Being an open-source software, any developer is free to create apps for the platform and this has left it vulnerable to malicious software and security chinks.

"Knox will perhaps help with enterprise acceptance of Android, but it is an uphill battle as IT managers don't like the fact that Android is a more open system with many variants," said Tom Astle, Managing Director of Research at Byron Capital Markets, in an email interview. This, he says, makes it difficult to completely control the security and overall policy environment.

But security is not the only issue with Android. The OS has also fragmented into many versions, making it difficult for IT departments to manage. This too leads to inconsistency in end-user experiences.

In an effort to fortify Knox, Samsung has partnered with enterprise device management leader AirWatch and User Identity Service giant Centrify Corporation. AirWatch, which manages mobile devices for over 5,300 companies globally and has an office in Bangalore, has been working with Samsung for the past six months. The integration with Centrify will let Knox users access multiple services with a single login.

"Samsung provides AirWatch customers with an Android device solution that meets strict security standards and offers end-user flexibility to separate work and personal information. AirWatch provides Samsung access to its customer base, which includes the largest and most secure conscious organisations in the world," says Scott Kelley, Android Product Manager at AirWatch.

If the likes of Knox start making inroads into Android devices, it could be another big push for Bring Your Own Device (BYOD) initiatives, where companies allow their employees to bring their own laptops, smartphones, and tablets, to work with full connectivity to the enterprise (company-wide) network. None of the large Android handset makers, other than Samsung, have a solution for enterprise users. Moving early, however, does not necessarily guarantee continuous domination. Samsung knows that, having toppled Nokia and Apple from other perches. ◆

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Far from Fab

The Lenovo K860 costs almost twice as much as the most affordable phablets - devices which combines the tablet and the phone. It has a solid, sturdy build, with a bright and vibrant five-inch screen 720 x 1280p display. Watching videos on it is a delight. It has a 1.4GHz quad-core processor with 1GB RAM and runs the Android Ice Cream Sandwich. That said, there is more than one downside - overall performance is just about average, and we noticed pixellation while playing some games - it can easily multi-task, running up to five apps simultaneously, but heats up within 10 minutes of gaming. The eight-megapixel camera does a decent job in daylight, but should not be used indoors, ideally. Even with the flash, the results are not impressive.

Solid build
Battery

Heats up often
Sound quality

Lenovo K860 **Price:** ₹28,500

Nokia Lumia 920 **Price:** ₹35,500

More Camera Than Phone

Even more than the phone itself, it is the camera on Nokia's latest 4.5-inch Lumia 920 that is making waves. While this device may not have the 41-megapixel sensor that made the Nokia 808 PureView a camera legend, it does use the PureView technology with an eight-megapixel camera and a Carl Zeiss lens to produce great images. Even low-light shots come out sharp showing the optical image stabiliser is clearly at play. The Windows Phone 8 operating system (OS) – this is the first time a Nokia device is employing it – is easy to use. Another striking feature is the 'kid's corner', to which children using the phone can be confined if required, playing games and using some apps, but without access to any sensitive data on the phone. The Nokia Lumia 920 also ushers in the first mass application of wireless charging.

NIDHI SINGAL

Great camera
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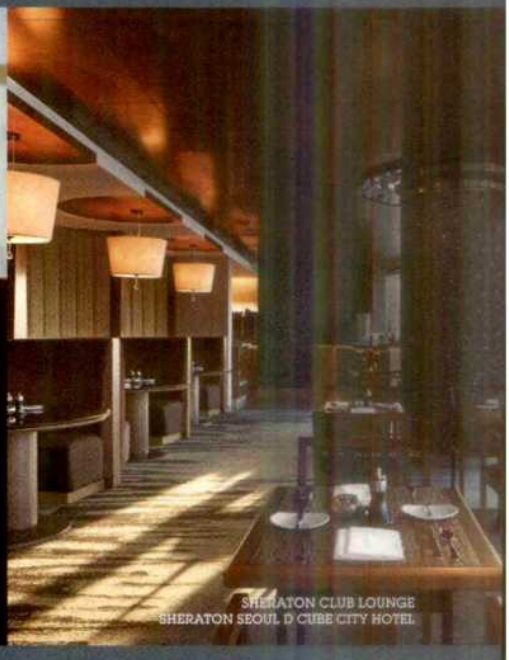

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SHRINKING COVER

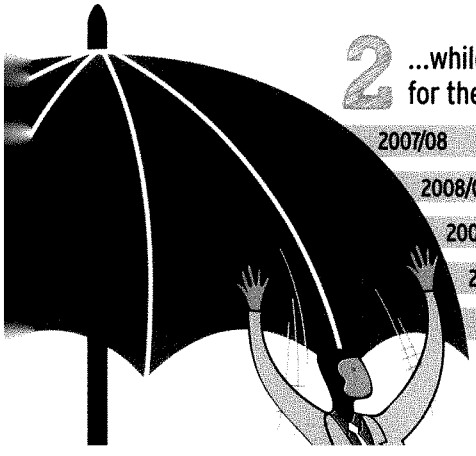
The life insurance industry in India is in crisis. The broad market is shrinking. Life insurance penetration in India was always low, but, worryingly enough, it has been falling even lower for two consecutive years now. New regulations enforced by the insurance regulator from 2010 curbing the scope of the Unit Linked Insurance Plans (ULIPs) are partly responsible for the development.

Graphic by **Santosh Kushwaha**
Research by **Jyotindra Dubey**

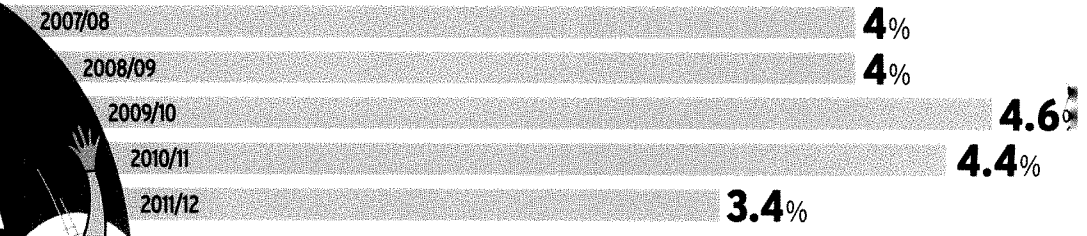
1 The total life insurance premium collected declined in the last fiscal year...

	Total Premium	Growth %	First Year Premium	Growth %
2007/08	201,351.41	29.01	93,712.52	23.88
2008/09	221,785.48	10.15	87,331.09	-6.81
2009/10	265,450.37	19.69	109,893.91	25.84
2010/11	291,638.63	9.87	126,398.18	15.02
2011/12	287,072.11	-1.57	113,942.17	-9.85

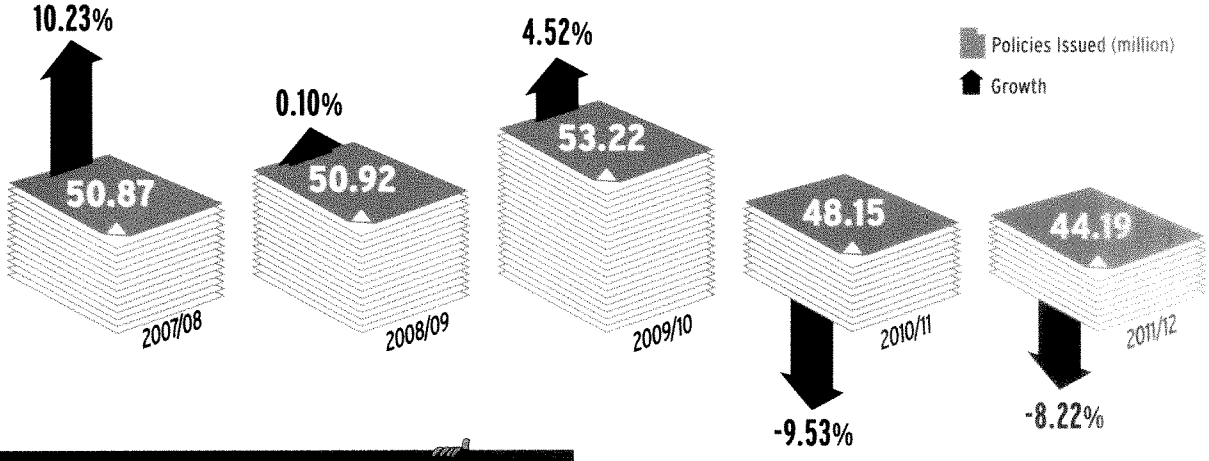
Premium figures in ₹ crore



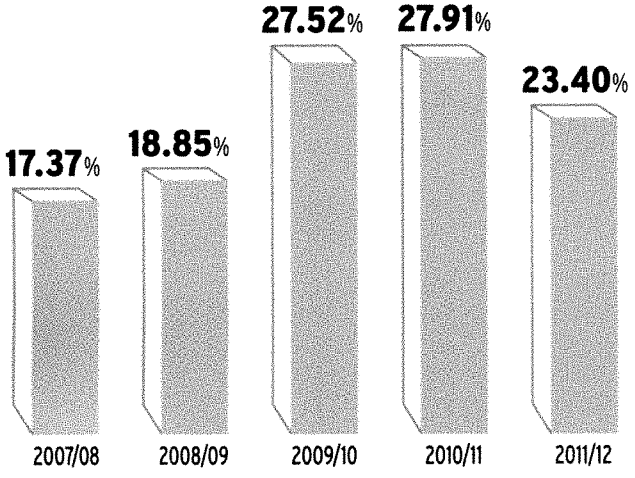
2 ...while life insurance penetration – ratio of premium to GDP – fell for the second consecutive year



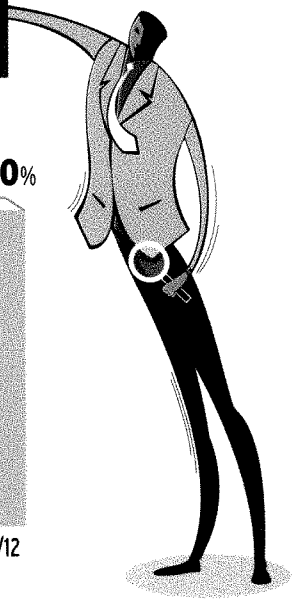
3 The number of new life insurance policies issued per year has also shrunk



4 The trend surfaced after IRDA* enforced new guidelines for ULIPs. In the last fiscal year, the share of ULIPs in the total assets under management of the industry fell sharply



*Insurance Regulatory and Development Authority



THE NEW RULES FOR ULIPS

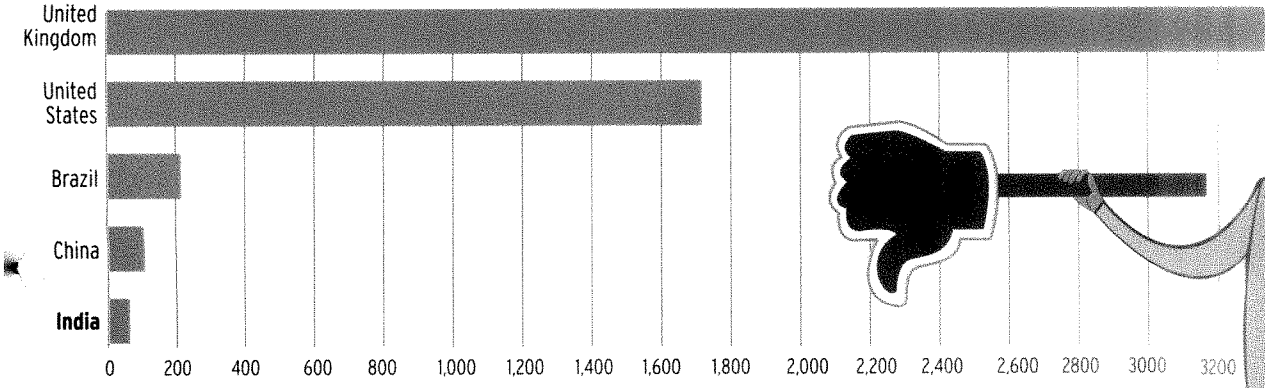
The guidelines seek to protect policy holders and promote ULIP as a long-term investment option

Minimum lock-in period revised from 3 to 5 years

Minimum premium paying term has been increased to 5 years

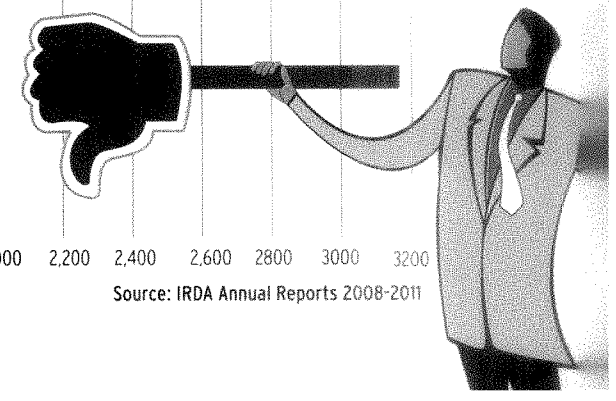
Agents' commissions and sundry fees charged by life insurance companies curtailed

5 The phenomenon is worrying, given the poor life insurance density (per capita premium) of $49 in India



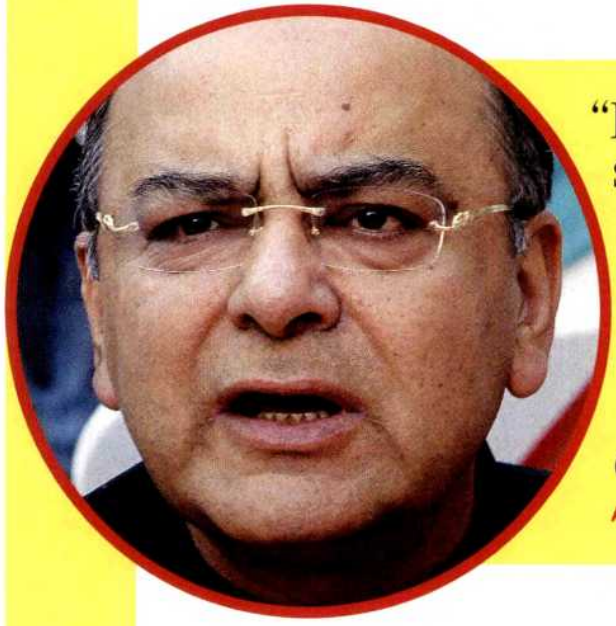
Figures in $

Source: IRDA Annual Reports 2008-2011



"It is not a big bang Budget but a growth-oriented one... It is an analytic Budget, there is not much fault to be found (with it)"

Adi Godrej, *President, CII, and Chairman, Godrej Group, in* The Hindu



"It was verbose, but on substance extremely low. First put the economy in distress, then a helpless Finance Minister comes out with a Budget in which he has very little elbow room"

Arun Jaitley, *Leader of Opposition in the Rajya Sabha, to* Agencies

"I am actually disappointed with the Budget. It was neither too hot, nor too cold, and certainly not enough to give growth hopes"

Andrew Holland, *CEO, Investment Advisory, Ambit Investment Advisors, in* The Economic Times

"THE FINANCE MINISTER HAS NOT MISSED OUT ON INNOVATIVE IDEAS. THE IDEA OF A BANK BY AND FOR WOMEN SURELY DESERVES KUDOS"

Kumar Mangalam Birla, *Chairman, Aditya Birla Group, in* The Economic Times

"It is not as if the investment cycle is going to change dramatically. You still require clarity on land acquisition and resource allocation processes"

Sanjeev Prasad, *Executive Director & Co Head, Kotak Institutional Equities, on* CNBC-TV18

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eoul	Mumbai	KE655	1840	0040+1	Mon, Wed, Fri

Origin	Destination	Flight	Departure	Via Colombo	Arrival	Day
Maldives	Seoul	KE474	1530	1850	0610+1	Tue, Thu, Sun
Seoul	Maldives	KE473	2240	0410+1	0640+1	Mon, Wed, Sat

Naught Again

The ₹477-crore project to spruce up Connaught Place in New Delhi began in May 2009 and ought to have been completed before the Commonwealth Games in the city in October 2010. The job is still unfinished, and the latest is that it will stretch beyond its revised deadline of April 2013. The New Delhi Municipal Council has resolved not to take up any new project till this one is done.

Feeling Bullish

The most expensive bull in the world is Miles McKee, a Hereford bull based in Idaho in the United States, which was recently sold by its owner, Guy Colyer, for a whopping $600,000. This is twice the previous record of a bull's price. Hereford bulls are bred for beef, but McKee is too precious to be headed for the abattoir any time soon. His job will be to breed more bulls.

Packed House

An architecture studio from Argentina, Proyecto 2M, has designed portable shelters to help the disaster affected. These are packed tightly for easy transportation, but can be put up in 30 minutes flat, and include proper insulation, heating and lighting. If an earthquake, landslide, storm, flood or bush fire destroys your home, but you have one of these, it can make a whole lot of a difference.

HOW THINGS WORK

I Know Who You Phoned Last Night

Phone tapping is back in the headlines, thanks to the unauthorised spying on Rajya Sabha opposition leader Arun Jaitley's phone, the discovery of which led to a furore in Parliament and the arrests of four people so far. Union Home Minister Sushil Kumar Shinde has clarified that Jaitley's phone was not tapped, but only his call detail records (CDRs) illegally accessed. Just how private are our phone conversations?

Phone tapping: This is a criminal offence in India, liable for three years' imprisonment, unless carried out by an enforcement agency with the sanction of either a state or union home secretary, or an appropriate court. The telecom company provides a parallel line to the enforcement agency. Currently around 9,600 telephone lines across the country are being legitimately tapped, according to press reports.

Recent cases: Phone tapping was last in the headlines in 2008/09 after the telephonic conversations of public relations professional Niira Radia with several politicians, business leaders and journalists were leaked. The government clarified that her phones had been tapped after appropriate permission, following a complaint against her received by the Income Tax Department. Earlier, in 2005, the phone lines of Amar Singh, then a senior Samajwadi Party leader, were found to have been illegally tapped.

Accessing call records: Home Minister Shinde admitted in Parliament that while there were rules setting the limits of phone tapping, there were none about accessing CDRs. Service providers, however, generally do not part with these, unless sought by a police officer of the rank of assistant commissioner or above. In the Jaitley case, a constable, who has since been arrested, misused his senior officer's email account. Telephone companies currently maintain call records for six months to a year.

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The Saver's Dilemma

International financial crises are often triggered by imbalances caused by a surge in capital flows from countries with high savings to those with low savings

Most of the international financial crises that have occurred over the last 200 years were the result of strains created by the recycling of capital from countries with high savings to those with low savings. The current European crisis is a case in point. For nearly a decade, capital from high-savings countries like Germany flowed to low-savings countries like Spain. The resulting build-up in debt created its own constraints,and now Europe's economy is forced to rebalance.

IF POLICY DISTORTIONS CAUSE SAVINGS IN ONE COUNTRY TO RISE FASTER THAN INVESTMENT, THE REVERSE MUST OCCUR ELSEWHERE IN THE WORLD

If the rebalancing takes place only in Spain and other low-savings countries, the result, as John Maynard Keynes warned 80 years ago, must be much higher unemployment. Whether unemployment remains confined to countries like Spain, or eventually migrates to those like Germany, depends on whether the former remain in the euro.

Although the relative savings positions of Germany and Spain seem to confirm cultural stereotypes, national savings rates have little to do with cultural proclivities. Instead, they largely reflect policies at home and abroad that determine household consumption rates.

A country's overall consumption rate is, of course, the flip side of its savings rate. Apart from demographics, which change slowly, three factors largely explain differences in national consumption rates.

First and foremost is the share of national income that households retain. In countries like the United States, where households keep a large share of what they produce, consumption rates tend to be high relative to GDP. In countries like China and Germany, however, where businesses and the government retain a disproportionate share, household consumption rates may be correspondingly low.

The second factor is income inequality. As people become richer, their consumption grows more slowly than their wealth. As inequality rises, consumption rates generally drop and savings rates generally rise.

Finally, there is households' willingness to borrow to increase consumption, which is usually driven by perceptions about trends in household wealth. In Spain, for example, as the value of stocks, bonds, and real estate soared prior to 2008, Spaniards took advantage of their growing wealth to borrow to increase consumption.

But this is not the whole story. Consumption rates can also be driven by foreign policies that affect these three factors. For example, an agreement in the late 1990s among the German government, corporations, and labour unions, which was aimed at generating domestic employment by restraining the wage share of GDP, automatically forced up the country's savings

rate. Germany's large trade deficits in the decade before 2000 subsequently swung to large surpluses, which were balanced by corresponding deficits in countries like Spain.

As Spain's tradable-goods sector contracted in response to the expansion in Germany, it could respond in one of only three ways. First, Spain could refuse to accept the trade deficits, either by implementing protectionist measures or by devaluing its currency. Second, it could absorb excess German savings by letting unemployment rise as local manufacturers fired workers (because rising unemployment forces down the savings rate). Finally, Spaniards could borrow excess German savings and increase consumption and investment.

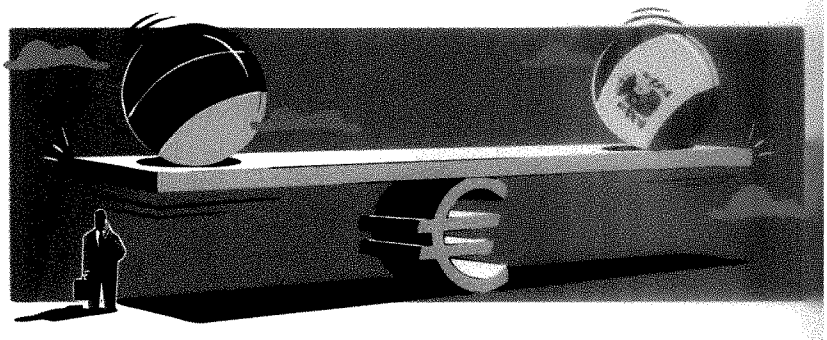
Of course, Spain could not legally choose the first option, owing to its EU and eurozone membership, and, not surprisingly, was reluctant to choose the second. This left only the third option. Spaniards borrowed heavily prior to the crisis to increase both consumption and investment, with much of the latter channelled into wasteful real estate and infrastructure projects.

This continued until 2007/08, when Spanish debt levels became excessive. But, as long as Germany does not absorb its excess savings and accommodate the desired rise in Spanish savings, Spain is still faced with the same options. Once borrowing is no longer possible, Spain must either intervene in trade – which implies leaving the eurozone – or accept many more years of high unemployment until wages are driven down sufficiently to produce the equivalent of currency devaluation.

This is the key point. Low-savings countries cannot easily adjust without an equivalent adjustment in high-savings countries, because their low-savings rates may have been caused by high savings abroad. After all, savings and investment must be in balance globally, and if policy distortions cause savings in one country to rise faster than investment, the reverse must occur elsewhere in the world.

In other words, savings rates in Spain and other deficit countries in Europe had to drop once policy distortions forced up Germany's savings rate. In theory, excess German savings could have left Europe; but given high Asian savings that already had to be absorbed, mainly by the US, and the constraints imposed by the euro, it was almost inevitable that excess German savings would be exported to other European countries.

Germany should care about Spain's difficulty in adjusting, because the resulting rise in European unemployment will be absorbed mostly by Spain unless the Spanish government accelerates the adjustment process by leaving the eurozone and devaluing. In that case, Germany would bear the brunt of the rise in unemployment.



RAJAT BARAN

There should be nothing surprising about this. Once deficit countries take aggressive measures, it is usually trade-surplus countries that suffer the most from international crises caused by trade and capital flow imbalances. As political tensions in low-savings countries grow, so will the risk of these countries abandoning the euro, causing the price that Germany will pay for its distorted savings rate to rise. ◆

Michael Pettis is Professor of Finance at Peking University and a senior associate at the Carnegie Endowment.
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The Many Faces of

The finance minister's economic legacy runs counter to his image as a friend

Finance Minister P. Chidambaram can be a puzzle at times. His penchant for being different revealed itself once again soon after he presented his eighth Budget on February 28. Instead of granting exclusive post-Budget interviews to handpicked journalists, the way his predecessor Pranab Mukherjee used to, Chidambaram held a press conference to clarify his budgetary proposals, at which he had all his senior finance ministry officials also present. Soon enough, that vital question which spooked the stock market just after the Budget presentation, came up. It was about a change in the tax law underpinning India's international tax treaties, mentioned in the Budget papers. The question implicitly referred to Mauritius – the main springboard of

IMAGING BY SANTOSH KUSHWAHA

P. Chidambaram

of big business. By SANJIV SHANKARAN

foreign capital flows into India.

Chidambaram chose to give a short tutorial on the subject. A successful tax lawyer in an earlier avatar, he lucidly explained the essence of a tax treaty, but sidestepped specifically mentioning Mauritius. Text messages kept coming in to journalists attending the conference, prodding them to ask the question again and clarify the Mauritius angle. The question was repeated, but once again he sidestepped Mauritius.

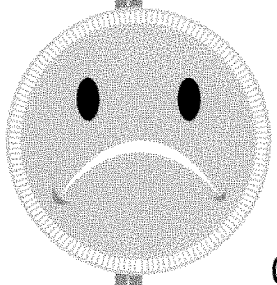
However, the finance ministry issued a statement the next day clarifying that status quo prevailed on the India-Mauritius tax treaty front. It was an unusual incident where the finance ministry had to make a media statement to supplement the minister's answers. All because Chidambaram, while clarifying on the Budget, repeatedly avoided a direct answer to a question.

How the Budget will impact people

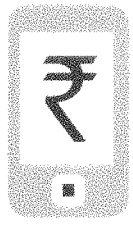
WHERE IT HURTS

Costlier Diesel: The fuel subsidy for 2013/14 will drop 33 per cent to ₹ 65,000 crore. This is based on the assumption that oil companies will gradually raise diesel prices.

Costlier AC Restaurants: Service tax will be levied on all air-conditioned restaurants. Earlier, the tax was levied only on those serving liquor.

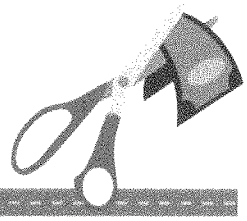


Costlier mobile phones: Excise duty on phones priced above ₹2,000 raised from one per cent to six per cent.



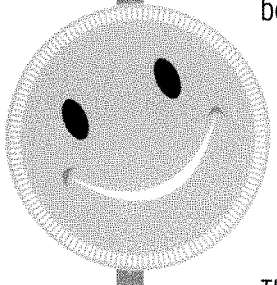
Costlier SUVs: Excise duty on SUVs raised to 30% from 27%

Higher income tax rates for wealthy: Effective tax rate on companies and individuals identified as wealthy increased through a surcharge.



WHERE IT HELPS

Tax incentive: Assessees with taxable income between ₹200,000 and ₹500,000 a year get a tax break of ₹2,000. This will benefit 18 million tax payers.



More duty-free jewellery: Indians returning after over a year overseas can bring with them more duty-free jewellery. The limit raised to ₹50,000 for men and ₹100,000 for women.

The episode brought out the enigmatic side of Chidambaram's personality – a side that triggers incongruous responses to him. When *Business Today* polled CEOs of companies in the run-up to the budget, for instance, the largest number ranked him as the best finance minister of the five India has had since 1991. Yet the poll also said they trusted him less than the other Congress finance ministers, Prime Minister Manmohan Singh and President Pranab Mukherjee. The best does not seem to be the most trustworthy.

Among all Indian finance ministers, Chidambaram, along with the late Morarji Desai, is the most experienced finance minister. His intellectual acumen is acknowledged even outside the Congress. "He is a brilliant man," says Shiv Sena's Suresh Prabhu, who was earlier power minister. "I have respect and regard for him."

Chidambaram has presented eight of India's 23 post-reform Budgets, beginning from 1991 – enough to leave a legacy. One way to dissect his legacy is to look at policy-making through the prism author Gurcharan Das likes to use. Das split economic reforms into two kinds while participating in a panel discussion on *Business Today's* poll. One kind was pro-business reform which tilted towards helping favoured business groups and engendered crony capitalism. The other was oriented at breaking down cozy clubs, and dismantling entry barriers for those wishing to start a business.

In the popular perception, Chidambaram's defining moment as finance minister was the so-called 'dream Budget' of 1997. Among the proposals that year which survived the test of time was the one to bring down direct tax and income tax rates for companies and individuals. That Budget also cemented his image as a pro-business politician that Communist parties still invoke.

The Communist parties' perception of Chidambaram became clear in 2007 when they opposed his attempt to introduce a Bill to carry forward reforms in the insurance sector, particularly to allow foreign investors to raise their stake in insurance companies from 26 to 49 per cent. Communist

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Party of India's Gurudas Dasgupta explained his opposition to the Bill at his New Delhi residence one evening. He first put up a series of weak arguments against the Bill, before coming out with the real reason: "We don't trust anything from Chidambaram."

It was not always this way. N. Ram, full-time Director at Kasturi & Sons, which publishes *The Hindu* and other newspapers, recollects Chidambaram as being left-leaning in the late 1960s. "At that point he was left-of-centre within a broad pro-Congress framework," says Ram, who has known Chidambaram since primary school in what was then Madras. Ram says he introduced Prakash Karat to Chidambaram in Madras in 1968. "They were interested in the same issues," he adds.

Four decades on, as General Secretary of the Communist Part of India (Marxist), Karat would represent the most visible opposition to UPA's economic agenda.

Juxtapose his popular image against Chidambaram's track record in the finance ministry and there is a mismatch. This is why big business feels it has reason to be wary. It is unlikely any other finance minister has so relentlessly pursued the aim of increasing the effective tax rate of companies, which is only 22.85 per cent compared with the statutory rate of 32.445 per cent. In eight Budgets, he has introduced five new taxes – the Minimum Alternate Tax (MAT), the Securities Transaction Tax, the Banking Cash Transaction Tax, the Fringe Benefit Tax and the Commodity Transaction Tax. He introduced MAT in his first Budget, in 1996, to target companies which used exemptions to avoid paying any tax at all.

According to a former finance ministry official who worked on the 'dream budget,' Chidambaram was then working to a long-term plan. First, the zero-tax door was shut. That was followed by a cut in headline tax rates, which brought him applause. This was to be followed by an attempt to remove tax exemptions and push up the effective tax rate of companies. Chidambaram never got to execute the full plan as the United Front government he was part of then fell by early 1998.

He would have to wait till 2004 to present another Budget. The five consecutive Budgets he presented beginning 2004 were marked by attempts to close loopholes in the tax system and introduce new levies that would create a trail for authorities to pursue tax evaders. This aspect of Chidambaram's approach has peaked in 2013 with a Budget proposal which seeks to make evasion of excise duty beyond a certain threshold a non-bailable offence.

RACHIT GOSWAMI

"He has always been straight talking and gets things done"

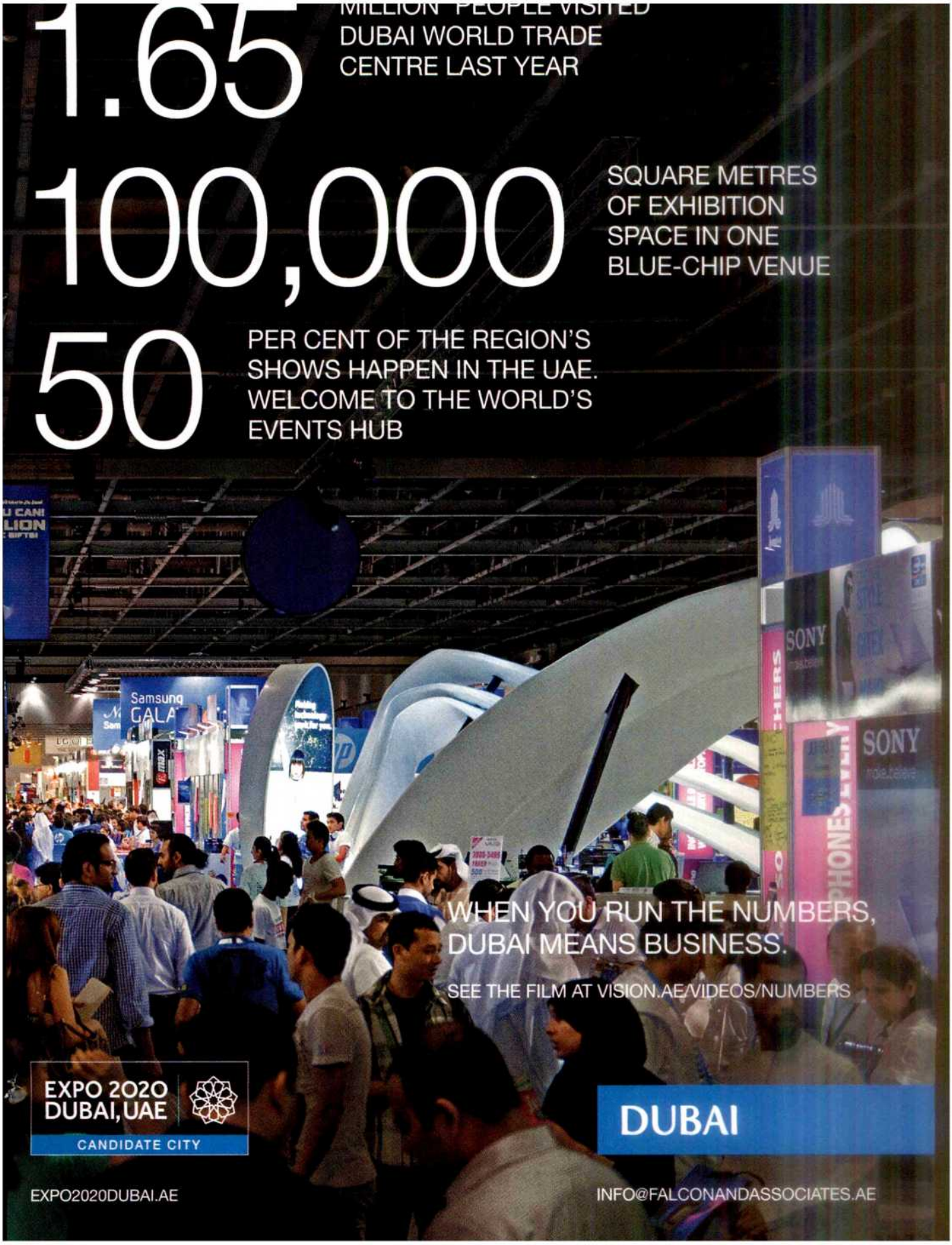
Swati Piramal,
Vice Chairperson,
Piramal Enterprises

Chidambaram also does not waffle when dealing with requests from industry. Three days after the recent Budget, he met industry captains in New Delhi. Vikram Kirloskar, Vice Chairman of Toyota Kirloskar Motor, suggested the Budget proposal to increase the tax on sports-utility vehicles would hurt the automobile industry. Chidambaram brushed aside the argument. "The buyer has a huge benefit on diesel subsidy," he said, pointing out that higher tax merely tried to offset a lopsided subsidy regime that made SUVs attractive.

It was Chidambaram who backed the tax department's decision to seek tax from Vodafone on its purchase of Hutchison's Indian telecom business in 2007. A proposal in the 2008 Budget was interpreted by Vodafone as an attempt to retroactively tax the company. The judicial dispute that followed had its moments of irony. Chidambaram's Congress colleague, Abhishek Singhvi, represented Vodafone in the Bombay High Court in 2010. Singhvi described Chidambaram's 2008 Budget proposal as unconstitutional.

It is not as if industry dislikes him. "I have always found him accessible, willing to engage and interact with industry," says Swati Piramal, Vice Chairperson of Piramal Enterprises. "He has always been straight talking and gets things done."

Chidambaram's pro-business image has followed him to Sivaganga, Tamil Nadu, the constituency from which he has won seven Lok Sabha elections. Ahead of the 2009 polls, R.S. Raja Kannappan, the AIADMK candidate and Chidambaram's main opponent, built his campaign around this. In village after village, he rhetorically asked people if Chidambaram had ever had time for them.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"His friends are Tatas and Birlas," Kanappan said. Chidambaram won the election by a slim margin of 3,354 votes, but Kannappan later challenged the result in the Madras High Court. The case is still on.

Chidambaram's behaviour on the campaign trail in 2009 suggested he was still not at ease in grassroots political settings. His speeches to small groups of villagers stood out. The speeches in Tamil had the same characteristics as those in English – a measured approach and precise use of words in an environment where the typical political speech is overblown rhetoric. He did not make personal attacks on opponents. The typical speech would last 10 to 15 minutes and recalled his press conference tutorials. There was an attempt to link ground-level schemes to the big picture, with digressions to laud the use of boiled eggs in the midday meal scheme. Tellingly, in one village, Chidambaram asked a crowd of mostly women if they had heard of Sonia Gandhi. In short, Chidambaram the orator tried to enlighten, but was boring.

Little wonder, perhaps, that on a blistering May mid-morning during the campaign, two women following Chidambaram's speech in Arasanur village let their attention stray. They began to chat and soon drew his ire. "Pay attention," he snapped. "If I don't tell you these things, who will?"

Even while seeking votes, Chidambaram is unwilling to make any effort to ingratiate himself.

Chidambaram, like every other finance minister over the past two decades, is also a fiscal conservative.

By December 2012, it was apparent that a large deficit overrun in the current financial year was unlikely despite a shortfall in tax collection and a disappointing telecom auction.

On Budget day, he said he had managed to keep fiscal deficit at 5.2 per cent of gross domestic product, compared with his self-imposed target of 5.3 per cent. The Budget was marked by a spending cut; it was finally only 96 per cent of what was originally forecast. The cut fits nicely with his image of a fiscal hawk. It has also led to fears of a cut in welfare spending, which, in turn, feeds into his image of a friend to big business who does not mind squeezing welfare spending.

"He has talked about issues which go beyond the finance ministry's mandate"

Suresh Prabhu, Shiv Sena leader

Today, even the possibility of a sharp putdown no longer holds back journalists from asking Chidambaram if he fancies himself as the next prime minister. For the record, as he told *Financial Times* in January, he says the job does not interest him.

Still, some say he pictures himself in a larger role. "The role he has assumed for himself is the role of being the government itself," says Prabhu. "In his Budget speech he talked about a variety of issues which go beyond the finance ministry's mandate."

In some ways, Chidambaram would be an extension of Manmohan Singh. Both believe that a sound economy has to precede welfare efforts. Both are, at a personal level, understated and unfussy. According to officials who worked with Chidambaram in the finance ministry, he looks embarrassed if he is greeted on his birthday.

His son, Karti Chidambaram, says he is a master of detail. "Whether he is preparing a Budget or a legal brief or even a simple press release, he is very meticulous in his work," says Karti.

Ram, however, feels using Manmohan Singh's political career as a template to speculate on Chidambaram's future is futile. "Singh is a complete fluke in Indian politics," he says.

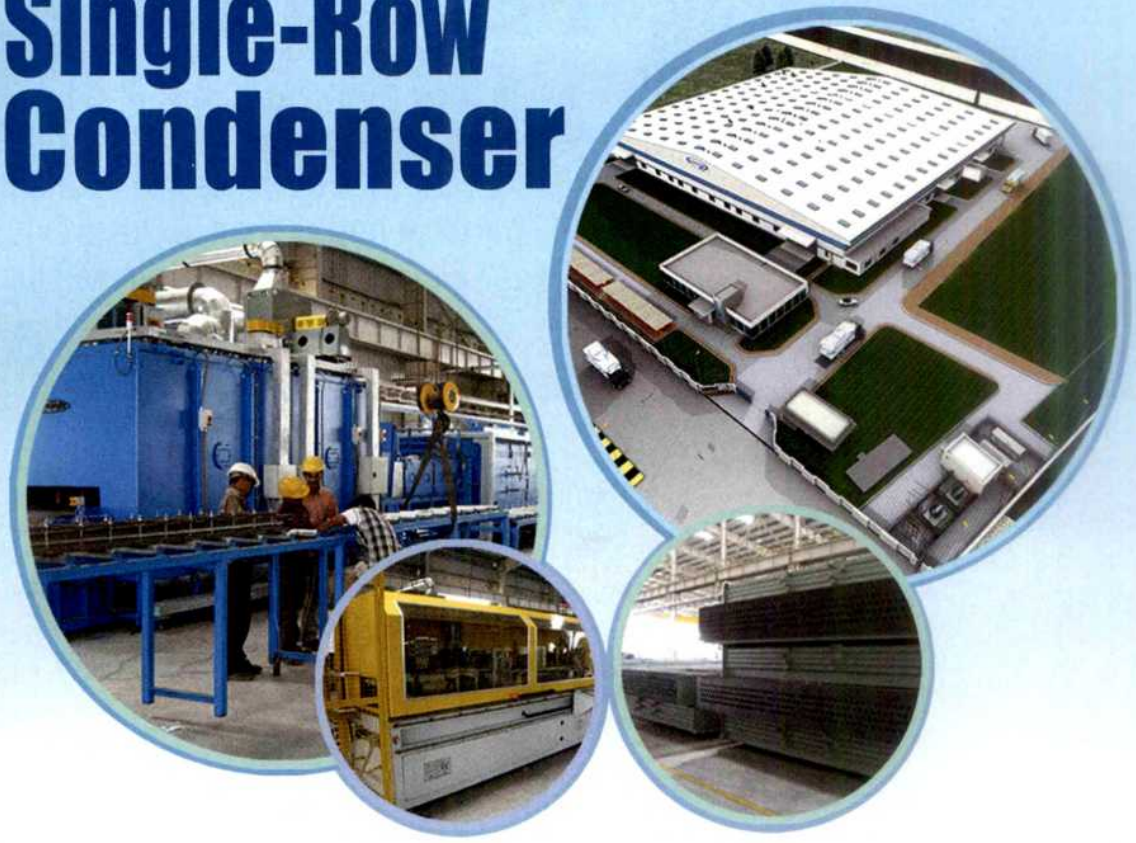
Chidambaram is also sharply focused on getting the job done. About 18 months ago, he was invited to an event in New Delhi to mark two decades of the 1991 reforms. At the time, court cases on the 2G telecom irregularities were threatening to consume Chidambaram and policy making in the government seemed paralyzed. Chidambaram waved away questions on whether 2011 represented the biggest challenge to any government he had been part of. The government in 1991 faced far bigger challenges and still got work done, he said. How so? "The government did not allow itself to be distracted," was his succinct reply.

Does Rahul Gandhi agree? ◆

ADDITIONAL REPORTING BY N. MADHAVAN AND E. KUMAR SHARMA

Send your comments to editor.bt@intoday.com

Paharpur Presents the...
Single-Row Condenser



Paharpur has inaugurated India's first Single-Row Condenser manufacturing unit at Savli, near Vadodara in Gujarat. Spread over an area of 46,000 sq m, this factory produces both single-row condensers as well as conventional, multi-row condensers.

With their special aluminium-clad oblong carbon steel tubes and high-efficiency, dimpled aluminium fins, single-row condensers are easier to maintain, take up less space and are more suited for large applications in the power industry. This new single-row condenser technology is complemented by Paharpur's rugged gearboxes, fans and other time-tested components.

For Paharpur, producer of world-class air-cooled steam condensers (ACCs) and a major innovator of ACC technology, the single-row condenser is yet another step in redifining dry cooling technology in the country, so that power plants of any size can be located where they are needed, even if water is not available.

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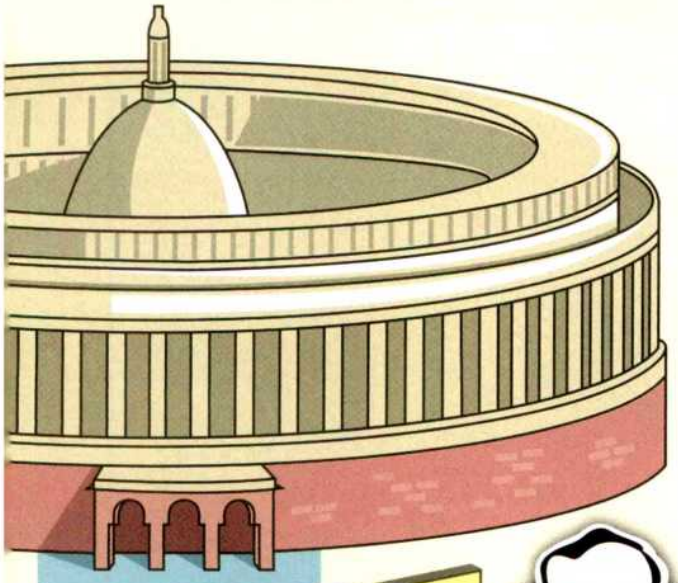
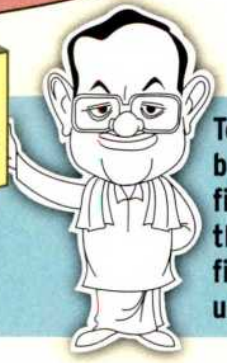


DECODING THE FINE PRINT

Budget 2013/14 assumes the economy will perform better than in the previous year and tax administration will be much more efficient

THE GOALS



To send a signal, by lowering the fiscal deficit, that public finances are under control

To attract foreign investors and thereb bridge the foreign exchange shortfall

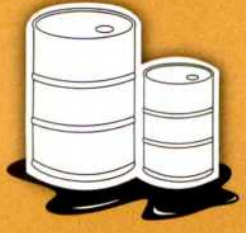
India had to draw down forex reserves by **$0.2 billion in Q2 of 2012/13** to bridge current account deficit

PERFORMANCE BENCHMARKS SET

Improve Tax/GDP ratio to **10.9 per cent** in 2013/14 from 10.4 per cent

₹18,000 cr to be raised through tax increases

Disinvestment proceeds are to be used exclusively to capitalize banks and support railways



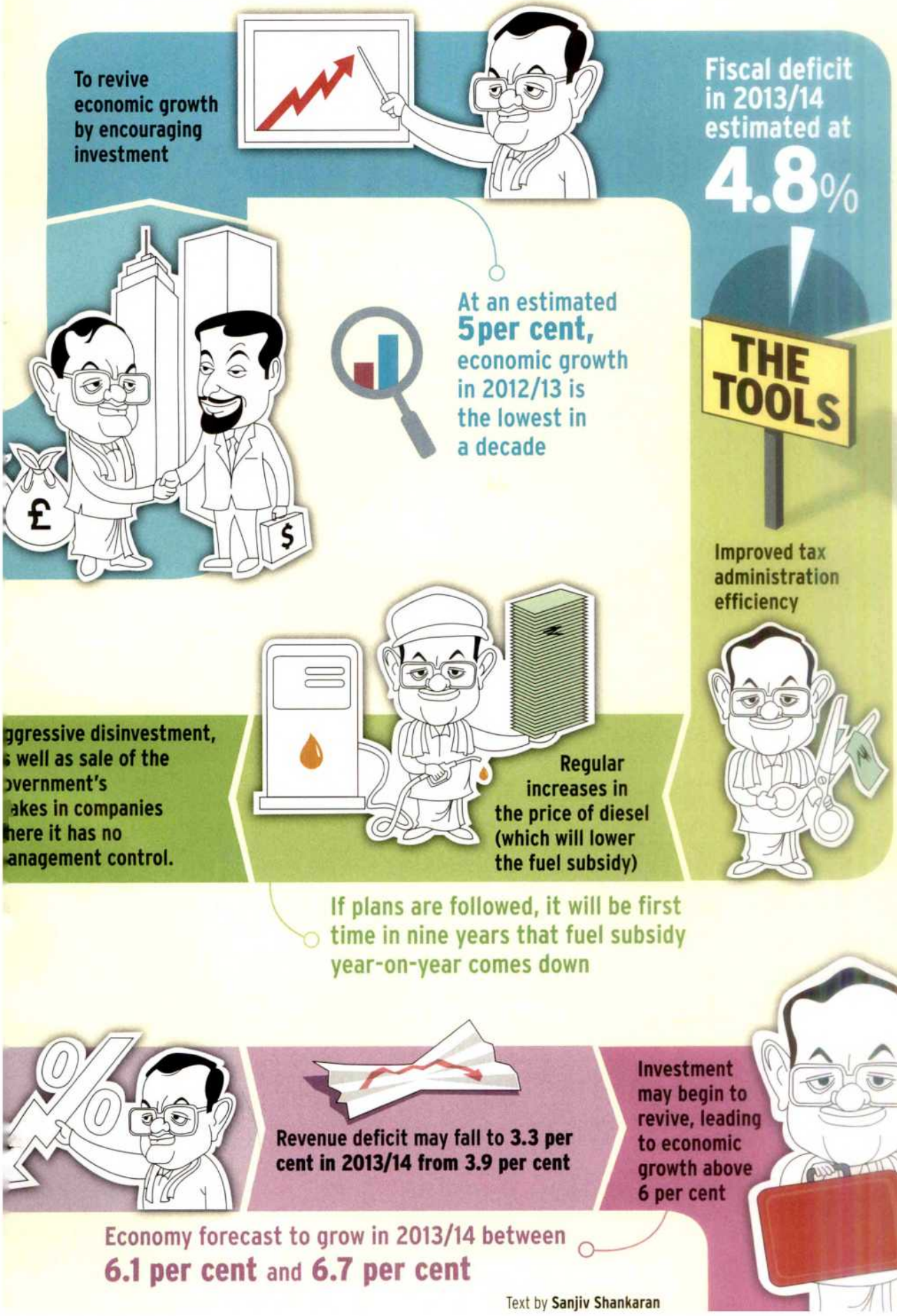
Lower oil subsidy by a third to ₹65,000 crore

Raise **₹55,814 crore** by selling government equity stakes in companies

BUDGET'S POTENTIAL IMPACT

RBI may continue to lower interest rates

Subsidies in 2013-14 to fall to **2 per cent of GDP** from **2.6 per cent**



Text by **Sanjiv Shankaran**

HARI RAMACHANDRAN

No Rocking the Boat

Barring a small Commodities Transaction Tax, Finance Minister P. Chidambaram left the commodities' sector well alone

Gold traders were rightly worried in the run up to the announcement of fresh Budget proposals by Finance Minister P. Chidambaram. The minister, who seems to believe that India's battle with a burgeoning current account deficit (CAD) is largely due to the country's massive appetite for gold, had increased import duties on the yellow metal just weeks before. He was expected to propose another hike in the Budget.

Better sense seems to have prevailed. Amid concerns that another increase in the current six per cent import duty would increase gold smuggling into India, Chidambaram did what he did with several other things in his Budget. He chose not to rock the boat. So while he grumbled about the high CAD and blamed it on "our excessive dependence on oil imports, the high volume of coal imports, our passion for gold, and the slowdown in exports," he generally spared the commodities sector.

Gold has been a prickly issue with the government, as India's unending appetite for the metal at a time when prices are high and the rupee weak has been eroding foreign exchange resources. India, the world's biggest bullion buyer, imported 860 tonnes of gold in 2012, down just 11 per cent from a year earlier, despite record high prices in the second half. Gold is second only to crude oil in India's import bill.

A Reserve Bank of India panel had in its final report on issues related to gold imports this February, suggested imposing limits on the volume and value of gold imported by banks under "extreme situations", and gold-linked financial instruments as part of several measures to moderate the demand for the yellow metal. At least some of the steps suggested were expected to find place in the Budget. But they did not. Introduction of inflation-linked bonds and certificates was the farthest Chidambaram went. But he did propose to raise the duty-free allowance for bringing in gold jewellery to ₹50,000 for a male passenger and ₹100,000 for a female passenger. Prices of gold have risen sharply since the baggage rules were last amended in 1991 and passengers were often harassed on this count. This is unlikely to greatly impact imports.

Chidambaram also chose not to concede to other industry demands such as removal of import duty on iron ore or to raise duties on some steel products to support domestic manufacturers. Any duty reduction would have amounted to sacrificing revenue and Chidambaram opted for the status quo.

In the physical market, Chidambaram withdrew the export duty on de-oiled rice bran oil cake as it had made exports unviable, but hectic lobbying by the vegetable oil trade and industry to increase the customs duty on imported oils, especially palm oils, did not pay off.

The edible oil industry had demanded raising duty on crude palm oil to 10 per cent from the existing 2.5 per cent, and refined oils to 20 per cent from 7.5 percent, to maintain a workable differential between the two to help the domestic processing industry. India imports nearly half of its annual edible oil requirements. In 2011/12 (November-October) it bought 9.98 million tonnes of edible oils, including 8.4 million tonnes of crude oils, mostly palm oils from Malaysia and Indonesia. Industry officials say the two producers have huge palm oils stocks and are pushing aggressively for exports, depressing local prices. Imports in the first three months of the new oil year grew 27 per

Gold has been a prickly issue with the government, as India's unending appetite for the metal, at a time when prices are high and the rupee weak, has been eroding foreign exchange resources

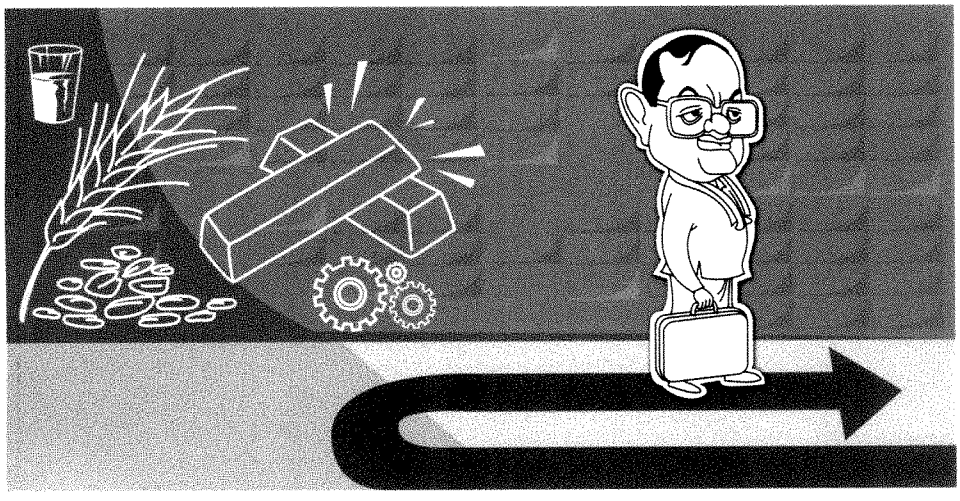
cent over the same period a year ago. The Budget was silent on this.

Chidambaram was also expected to roll out some measures for the decontrol of the sugar industry. The food ministry had moved a inter-ministerial note on deregulating the sensitive sector broadly in line with the recommendations of the Rangarajan Committee, which, among other things, favoured ending the release-order mechanism and removing the levy sugar obligation. Under the levy system, sugar factories are obliged to sell 10 per cent of their produce to the government at a fixed lower price, which is in turn sold to the poor at a subsidised rate. The government also sets a quota which millers can sell in the open market under the release mechanism. Removal of the release mechanism would help millers manage their inventories better and improve their cash flows. Chidambaram was expected to impose an excise duty of ₹150 per 100 kg on sugar, against the existing ₹98, as part of measures to better manage subsidies and streamline the sector. But it seems differences between the finance and food ministries over the level of duty delayed the step. The finance minister, obviously, was not keen to include announcements such as the industry decontrol, in the Budget that would give a handle to the Opposition to term it as inflationary.

But Chidambaram did have something for the commodity markets. He proposed the introduction of a Commodities Transaction Tax (CTT) on non-agricultural futures contracts at 0.01 per cent. Non-agricultural commodities such as gold, silver, crude oil and natural gas make up for more than 85 per cent of the total estimated daily trade turnover of ₹600 billion. Exchange officials say up to 20 per cent of this business could be lost because of the increase in transaction costs. With trading volumes going down, the government might end up earning only ₹15 to 20 billion annually against earlier expectations of ₹50 billion, according to some estimates. Apart from revenue implications, CTT can be a step towards bringing down paper trading as opposed to hedging, and the money could be used to reform the markets. Five commodity exchanges had together lobbied against the tax, saying it would hit trading volumes hard and drive trades towards international markets. But the minister did not budge.

Chidambaram did his best to ensure that he does not rock the boat when the country's finances are in a perilous state and the country is under pressure from rating agencies and investors to keep things under check. Given the government's past financial profligacy, the finance minister's hands were tied. Hopefully, he will still have opportunities to fix things outside of the Budget. ◆

(The columnist is Editor in Chief, Indoasiancommodities.com)



SANTOSH

Given the government's past financial profligacy, the finance minister's hands were tied. Hopefully, he will still have opportunities to fix things outside the Budget

Safe and Steady

Four experts deconstructed the Budget at a *Business Today* panel discussion, streamed live to www.businesstoday.in, minutes after Finance Minister P. Chidambaram presented it in the Lok Sabha. Edited excerpts:

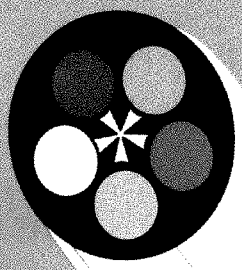
Food for thought: *Business Today* Editor Chaitanya Kalbag (facing camera, right) and Senior Editor Sanjiv Shankaran at the panel discussion with the four experts.

SANJAY MODI
President, Resurgent India

"There was a lot of thrust on creating employment by deploying resources and skillset improvement. If you achieve the targets, I think taxpayers numbers will go up, which will directly add to revenues"

"There was an urgent need for the government to address the women's sector. It should create a body to find innovative ways to bring more women into employment"

"He (Chidambaram) is bringing in measures due to which crop yields could go up. He is also supporting minimum support price for farmers. Both these can help push the supply side up, and if supply side is pushed up in one or two years, maybe that will have some impact on inflation"



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RAJIV ANAND,
Partner, Deloitte

"The revenue from the tax base will go up in view of increased compliance"

"Super rich tax is manageable, especially when the FM is on record saying that it is a one year phenomenon"

MUKESH ANAND,
Assistant Professor, National Institute of Public Finance and Policy

"I have my apprehension about the continual use of the fiscal deficit number. I think it has stopped serving a useful purpose. A better measure would be to move towards public sector borrowing requirement"

"I think the quality of the deficit has deteriorated because revenue deficit constitutes more than almost 70 per cent of the total deficit, which is a sad thing to see"

PUNEET BANSAL,
Director, BMR Advisors

"I was surprised he has increased the excise duty rate on mobile phones. In today's world saying a mobile phone costing more than ₹ 2,500 is a luxury may not be correct"

"I see a lot of positive developments on the GST (goods and services tax) front in the last few months, the FM's (finance minister) speech has added to that positivism. In the last three months, the CST (central sales tax) compensation issue has been resolved. The state FMs have met a number of times to resolve the issues. FM has given additional ₹9,000 crore for CST compensation"

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A Bank of Her Own

A bank exclusively for women, as announced in the Budget, is a good idea. But will it find enough custom? By SHWETA PUNJ

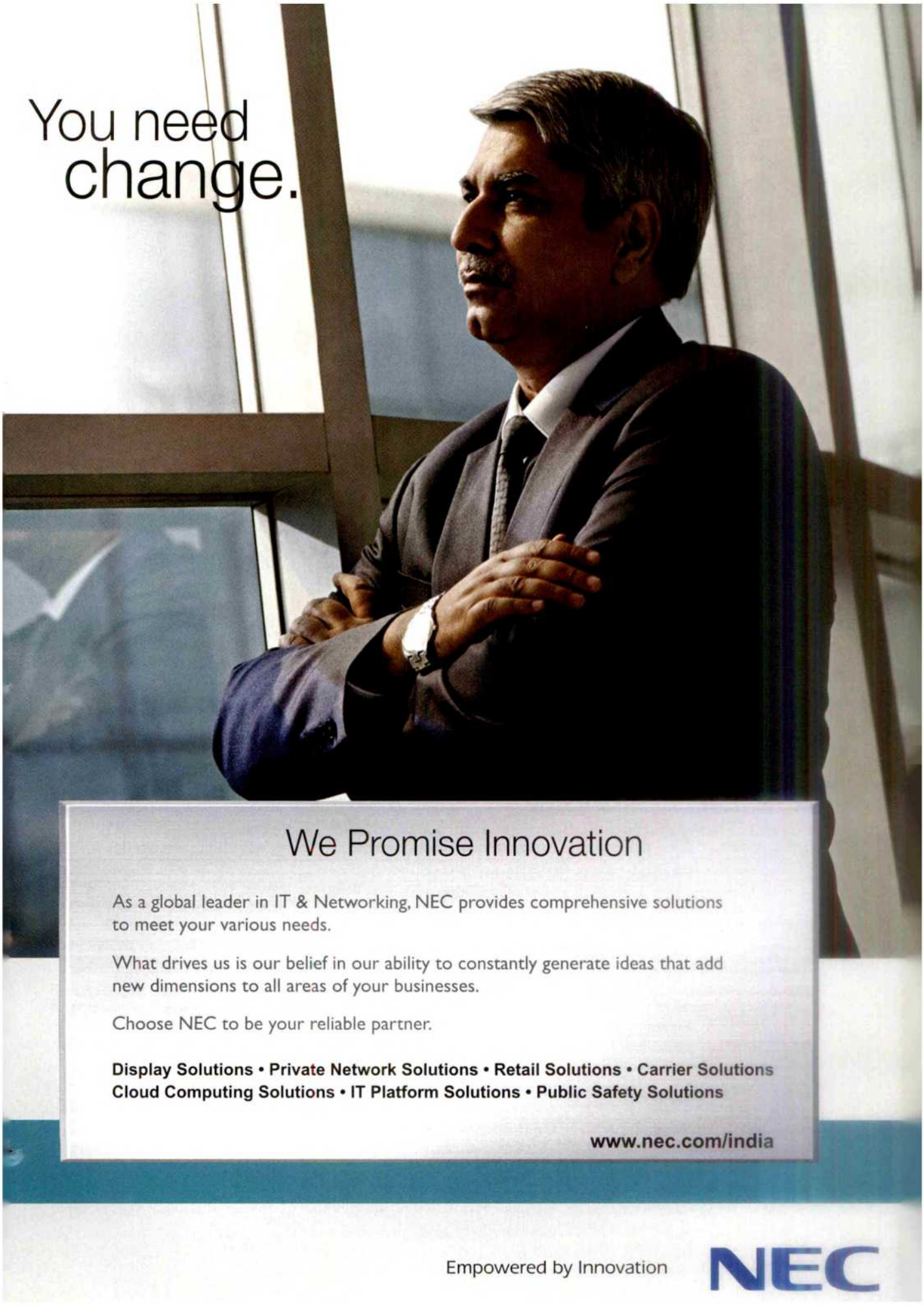
SANTOSH

It was a rare occasion in the Lok Sabha which had both United Progressive Alliance Chairperson Sonia Gandhi and Leader of the Opposition Sushma Swaraj smiling together in approval, while most of the other members burst into applause. Finance Minister P. Chidambaram, in his Budget speech, had just announced plans to set up a public sector bank exclusively for women. It was only later that many began to ask: does India really need such a bank?

The country already has many women's cooperative banks and self-help groups with considerable experience in handling credit issues related to women. Would the government have done better to make gender-neutral public sector banks more financially inclusive? Is Chidambaram's move a mere ploy to woo women with general elections a year away? "I think a women's bank is a misnomer. There should be a women's only credit line," says Biocon Chairman and Managing Director Kiran Mazumdar-Shaw.

But the case for the defence is equally strong. Millions of women are still excluded from the banking process. According to a 2012 World Bank study, only 26 per cent of women in India have an account with a formal financial institution. A bank for women will also help empower them further, because it will lend only to women and will employ mostly women. "It is a good idea," says former Bank of Baroda Chairman and Managing Director M. D. Mallya. "It will encourage lending to various groups. The focus should be on the financial inclusion of women."

The government hopes to launch the bank in October with an initial capital of ₹1,000 crore. But how effective the bank is will depend on the business model it adopts and how it innovates to best cater to women's needs. Many women do not control cash at home; nor do they have the collateral for loans. They rarely own land or immobile assets and tend to be disproportionately employed in the service sector where earnings are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Why India needs a bank for women

123 India's rank among 135 countries on women's economic participation

Women farmers and entrepreneurs have less access to credit than their male counterparts

13.72 Percentage of MSMEs managed by women

Archaic land laws make it difficult for women to offer land as collateral while accessing credit

lower. Will the bank make an effort to include them? "You have to be smart on how you deliver it. The concept is good, but you need to build on it," says Mazumdar-Shaw, who was repeatedly refused a loan to start her business nearly three decades ago.

Some experts say existing schemes that have succeeded in empowering women financially, such as microcredit programmes, should first be strengthened. The government could also fine-tune schemes which encourage women to set up their own ventures. For example, the Micro, Small and Medium Enterprises Development Organisation conducts programmes for potential women entrepreneurs who do not have the necessary education. Yet so far only 13.72 per cent of small enterprises are managed by women, according to the 2012 annual report of the Ministry of Small and Medium Enterprises. There is also the Trade Related Entrepreneurship Assistance and Development (TREAD) programme, under which the government grants 30 per cent of the total project to women seeking to set up business, through non governmental organisations. But how effective are they? "There is a lot of opaqueness around these schemes, nobody knows what to do, and that's a huge deterrent for us," says Sairee Chahal, Co-founder of Fleximoms, a company promoting flexible work solutions for women.

"There is no doubt women are discriminated against in the loan giving process. They have to work harder to establish their credibility as entrepreneurs.."

Naina Lal Kidwai
HSBC India Country Head

It is almost impossible for women to get a loan to set up a service or knowledge company, sectors where they are most likely to start their business in. Manufacturing finds credit much faster. "There is no doubt women are discriminated against in the loan giving process. They have to work harder to establish their credibility as entrepreneurs," says HSBC India country head and FICCI President Naina Lal Kidwai.

Despite the deterrents, some bankers are optimistic. They say the proposed bank will work if it creates new lending instruments or includes vocational training for women. India could take some tips from countries such as Bolivia and Indonesia where microcredit has evolved beyond group lending. Schemes such as Banco Sol in Bolivia and Bank Rakyat at Indonesia offer large individual loans to women and rely on repayment incentives.

Access Bank in Nigeria, DFCU in Uganda and Sero Lease and Finance in Tanzania have recognised that women are less likely to have established credit records than men and lower asset bases to draw for collateral. They have partnered with the International Finance Corporation to develop new instruments to support women entrepreneurs. The new products include loans collateralised with equipment or based on cash flow, and training for the staff of financial institutions to sensitise them to women. "There is a definite need for different kind of banks in India," says Akeel Master, Head of Financial Services, KPMG. "There will be challenges in implementation, but if you are able to make it a success, it would be the first of its kind in the world." ◆

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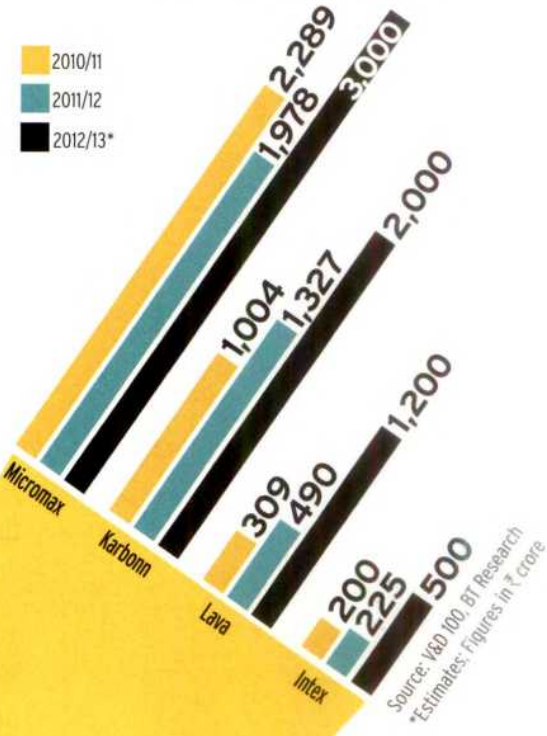
Brand India Takes a Call

Top Indian handset makers are changing tack to take on their multinational rivals. By SUNNY SEN

INDIAN PHONE MAKERS BOUNCE BACK

Their revenues have grown rapidly this year, after a subdued 2011/12



Nidhi Francis, a former journalist who lives in a south Delhi locality, used Samsung mobile phones for years. But when her Samsung Galaxy series smartphone conked off last November, she decided to replace it with a Micromax Canvas 2. The handset was launched the month before and had been selling like hot cakes. Why did she junk smartphones sold by the multinational giant and chose one made by a local company instead? "I liked the configuration, it was cheaper, and the quality of the device was good," says Francis, who bought the handset from online retailer Flipkart as it was not available at any nearby store. "I was a bit apprehensive earlier, but I am happy I did not spend thrice the amount for a phone of perhaps the same quality."

Customers like Francis, who want high-end devices at an affordable price, are helping Micromax Informatics reinvent itself from a seller of only low-cost feature phones to one with a wider portfolio that includes smartphones and tablets. The Canvas 2, for instance, runs on Google's Android operating system and has a five-inch screen. The dual-SIM device has an eight megapixel camera and is Wi-Fi and 3G enabled for Internet connectivity. Micromax sold 174,000 Canvas 2 devices in January alone. Demand for the handset is such that it is no longer available with e-retailers Flipkart and Snapdeal. Some customers are even willing to pay a premium. In Delhi's Lajpat Nagar locality, a multi-brand mobile store is selling it for ₹11,500, about ₹500 more than the retail price.

Micromax, however, is not the only Indian handset maker which is changing tack. Karbonn Mobiles, Lava International, Spice, and Intex Technologies are the other top Indian brands which have adopted new strategies over the past year to better challenge the dominance of Samsung, Nokia and other multinational companies.

What prompted this change? Indian companies began selling devices under their own brand around four years ago. By 2010, the number of local companies had crossed 160 with Micromax leading the pack. Almost all these companies were selling low-cost feature phones imported from China. This initially helped them gain market share. Soon enough, Samsung and Nokia launched a range of smart feature phones at different price points. This hurt Indian companies, and by early 2012 hardly anyone was making money. Eventually, many shut shop – only about 60 Indian companies remain now. At the same time, sales of smartphones were booming. The share of smartphones in total sales nearly tripled in three years. According to advisory and research firm Covergence Catalyst, 20 to 22 million smartphones were sold in India in 2012, more than double sold in the previous year. This is about eight to 10 per cent of the total mobile phone market.

The changing market dynamics forced Indian companies to tweak the way they do business. They still import products from China. But they have also formed technology tie-ups with chip makers, set up design and research teams, and strengthened their distribution network. These efforts have helped the top five Indian brands to increase their share of the total mobile phone industry revenue of ₹55,000 crore to about 14 per cent from three to four per cent in early 2011, according to industry estimates.

Local brands have also raised their share of the smartphone segment in urban India, from 4.2 per cent in July last year to 12.1 per cent

"Before launching smartphones, we were a one-trick pony"

RAHUL SHARMA, Co-founder, Micromax Informatics

"We will do what Samsung and Nokia have done in the past – control consumer behaviour"

S.N. RAI, CEO, Lava Mobiles

in December, according to market research firm GfK. Analysts say Indian companies have an advantage in the smartphone segment as they can make cheaper products keeping in mind local consumer preferences. "The quality and feature differential [between global and Indian companies] is coming down," says Mohit Rana, Partner of telecom and IT practice at consulting firm A.T. Kearney.

The perceived threat that local brands pose does not, however, worry the multinational giants. Samsung and Nokia remain market leaders. Samsung's India revenue from mobile phones is four to five times that of Micromax, though the South Korean company's market share in the smartphone segment slipped from 46.4 per cent in July last year to 35.8 per cent in December. Asim Warsi, Vice President, Samsung Mobile, says the Indian market is big enough for several companies. He also does not agree that Indian companies made smartphones affordable. "We were massifying (sic) smartphones and no one else was up for the cause," he says.

Rahul Sharma, one of four co-founders of Micromax, explains the Gurgaon-based company's new growth strategy. Sharma, who is responsible for products and sales at Micromax, says the company realised in mid-2011 that the "import only" model was not sustainable and that in-house design capability was essential to grow in the long term. The company decided to sell high-end smartphones at affordable prices to boost growth. "Before launching smartphones, we were a one-trick pony," says Sharma.

Sharma also streamlined operations and forged technology tie-ups with US-based chip maker Qualcomm and Taiwan's MediaTek. He brought in Ajay Sharma, former country head of Taiwanese phone maker HTC as the head of the smartphone division. Khaja Muzaffarullah joined from Sony Ericsson as the head of feature phones, and Deepak Mehrotra from Bharti Airtel was hired as the group CEO. Micromax also started monitoring its dealer network closely to keep track of retail sales and have a better understanding of the inventory, says Sharma.

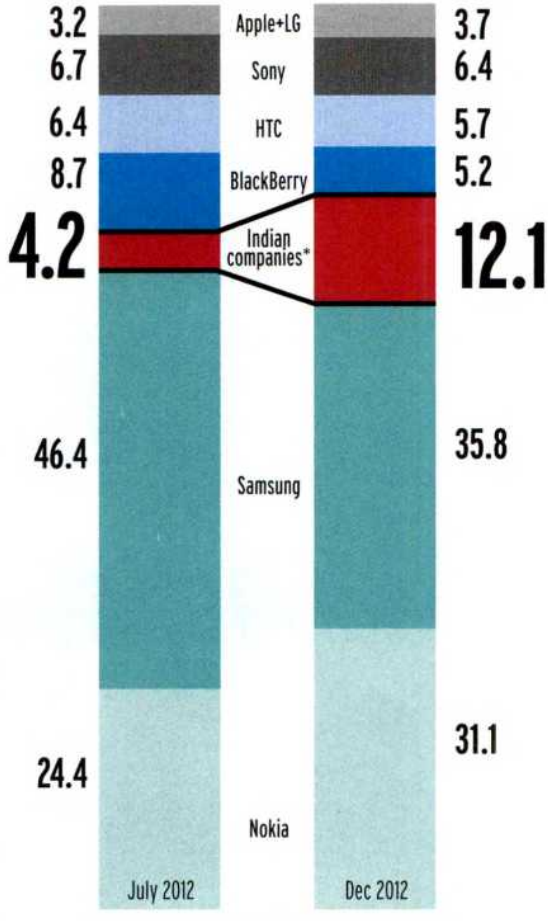
The new strategies have helped Micromax strengthen its position. It now sells two million devices a month, compared with about 400,000 phones monthly in 2010. Revenue is expected to climb about 50 per cent in 2012/13 after a 14 per cent fall the previous year. Sharma is now eyeing the global smartphone market. "It's no more an India story. It's a global story," he says.

Like Micromax, Karbonn has also tied up with Qualcomm and MediaTek to boost its technological capabilities. "We give them reference designs," says Grant Kuo, Managing Director, MediaTek India. "That allows them to create differentiation in their phones."

Karbonn has set up two research and development centres, in Bangalore and China, at an investment of ₹200 crore in the past year, says Managing Director Pradeep Jain. It opened

RAIDING THE SMARTPHONE MARKET

Indian phone makers have increased their share of this segment three-fold



All numbers in percentage
*Mostly comprise brands like Micromax, Karbonn and Lava
Source: BT Research

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Handset makers, both local and multinational, are unhappy with the budget proposal to increase taxes on mobile phones. Industry executives say that Finance Minister P. Chidambaram's decision to hike excise duty on phones that cost more than ₹2,000 will lead to a rise in prices and could also hit demand. Mobile phone companies argue that they cannot absorb the tax hike as they are already operating on wafer-thin margins. "The increase in the excise duty will not have a positive impact on the mobile industry and should lead to an increase in prices for end consumers," said Asim Warsi Vice President, of Samsung Mobile in India, in a statement after the budget announcement.

How much will handset prices increase? The tax has been increased from one per cent to six per cent. The rate of abatement on mobile phones is 35 per cent. This means that the tax will be calculated not on the total price but only on 65 per cent of the amount. Ballpark estimates suggest that prices will increase by about three to four per cent due to the tax hike. For instance, a ₹10,000 device will get expensive by up to ₹400.

The price hike could also increase the sales of high-end phones on the grey market. The hike could even slow, albeit for a brief while, the pace of expansion in the use of Internet through mobiles. "The root to faster Internet penetration is through mobiles," says Deepak Mehrotra, CEO of Micromax Informatics. "And no mobile with good Internet capability comes for less than Rs 2,000."

1,000 customer service centres and upgraded software to automate the distribution network. It is also focusing on in-house design, says Jain, who spends a lot of time testing the company's handsets. The Delhi-based company, which earlier distributed Samsung and HTC mobiles, gets 40 per cent of its revenue from smartphones that comprise only 15 per cent of volume. The company sells 1.5 million handsets a month. It expects revenue at ₹2,000 crore this fiscal year and ₹3,500 crore the next year. "Smartphones will contribute 55 per cent of our overall sales in six months," says Jain.

Intex Technologies, better known for computer accessories, has also reoriented its mobile business. Chairman and Managing Director Narendra Bansal says the company initially banked on its computer distribution network to sell mobile phones. That did not prove very successful. So, it built a new distribution network for mobiles. The company, which sells about 500,000 handsets a month, also cut the margin on phones by half and changed its focus from low-cost devices to smartphones. "We will soon have a phone priced at ₹15,000," says Bansal.

Another company that is fast catching up is Lava. Based in Delhi's satellite town of Noida, it expects revenue to more than double this fiscal year. Last year, when US chip maker Intel was looking for partners to embed its mobile chip, Lava was one of five companies chosen globally. CEO S.N. Rai says the Intel-Lava device, called Xolo, is sold in six variants priced between ₹12,000 and ₹35,000. Lava sells 30,000 of these devices a month. It also has its own range of IRIS smartphones that cost less than ₹10,000. No other Indian brand has products across this price range. Overall, it sells 700,000 handsets a month.

Rai says he has spent more than ₹100 crore to improve the company's design and research capabilities and distribution network. "We are also working on some core technologies where we are filing some patents," he adds. What's his growth strategy? "We will do what Samsung and Nokia have done in the past – control consumer behaviour," he says.

That's exactly what Indian handset makers must focus on to beat their global rivals. ◆

BT RETRO

Indian companies' entry into the handset market was first captured by BT in its May 16, 2010, issue. As global phone makers struck back, BT also wrote about the problems Indian players faced in the March 18, 2012, issue.

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A Cut Below

The skills shortage is costing India dear, yet remedies remain uncoordinated and young people's aspirations do not match reality

By SHAMNI PANDE

Santosh Kumar is a typical Indian electrician. Or plumber or local mechanic. The 24-year-old Gurgaon resident tried his hand at several odd jobs before he started training under his elder brother, himself a self-taught electrician, three years ago. Had it not been for his brother, says Kumar, he would have returned to his native Baloda village in Chhattisgarh to his eight-member family. "Today, I manage to earn up to ₹15,000," he says.

But, the thought of formal training has never crossed Kumar's mind. A more pressing matter surfaces as every month ends: "My elder brother is married and I now need to shell out ₹4,000 on rent," he says.

Kumar is but one among millions of untrained young people in the world's second-most populous country.

India's "demographic bulge" – the hundreds of millions of young people who will flood its job markets in the next decade – is in danger of sliding into a lopsided paunch that will weigh the nation down and crimp its gross domestic product. The problem is simple: Indians are obsessed with textbook education and white-collar dreams. Most of them shy away from blue-collar careers that could guarantee them employment and income. The less formally-educated youth lack proper vocational training and are doomed to drift from one low-paying stint to another. The cost is clear: the government or private institutions will have to spend at least ₹10,000 to train one person in the right skills. Even at this modest estimate, the bill works out to ₹530,000 crore. The challenge is obvious: how do you get all those square pegs out of their round holes?

According to the National Skill Development Corporation (NSDC), a public-private partnership tasked with funding and directing private skilling programmes, approximately 12.8 million people will join the job market every year in the coming decade. Despite the mounting urgency, progress towards the government's target is glacial. There is a lack of co-ordination between the private skill development organisations and 17 ministries who offer a multiplicity of programmes. Conflicting agendas threaten to undermine the goal.

"There are turf wars between ministries whose proposals run parallel to each other," says a senior executive at a leading skill develop-

WELL BELOW THE TARGET

The National Skill Development Corporation and various ministries met about 16.5% of their skilling target for 2012/13

Source: National Skill Development Co-ordination Board

SHANMUGAM S., 34yrs

QUALIFICATION
MA (History), University of Madras; Postgraduate Diploma in Computer Applications from a local computer centre

CURRENT JOB
Owner, Salon7, Chennai

He did not want to take up his family's traditional business of hair-dressing. He wanted to be a teacher, and he loved history. After getting his MA, he taught at a higher secondary school in Chennai, and wanted to pursue a doctorate. His ₹4,000 salary was insufficient to support his family. He quit teaching and joined a consumer products company which runs a salon chain. He worked there for 10 years, earning ₹10,000 a month. He quit in 2012 and set up his own salon with a ₹13 lakh investment. The bulk of his monthly revenue of ₹1 lakh goes towards interest payments and working capital. He plans to open more shops. He still holds hope: he wants his two children to become doctors.

VIVAN BHAT

A. PRABHAKAR RAO/www.indiatodayimages.com

KUNAL GOURAB, 27yrs

QUALIFICATION
B. Tech (Computer Science), Guru Nanak Dev Engineering College, Bidar, Karnataka

CURRENT JOB
Customer support officer at Mahindra Satyam Business Services Group (formerly Mahindra Satyam BPO)

He takes home ₹25,000 a month, which he says is enough to pay the bills. However, his friends, who started out with him but joined IT companies, make over ₹5 lakh a year, while he makes ₹3.2 lakh. His original goal was not to work in a BPO firm. He would rather be in IT and networking, because "nobody wants to retire from a BPO". When he graduated from engineering school, the IT industry was still reeling from the global downturn. He says his education did not prepare him for the reality of business. But he does not regret studying engineering – there is nothing else he would rather have studied.

ment company who does not want to be identified. "Whom do we follow, and how do we make our training acceptable by all parties in India?"

For instance, the human resources development ministry, under Kapil Sibal, has started implementing its vocational education agenda through the National Vocational Qualification Education Framework, and the ministry of labour and rural development, led by Mallikarjun Kharge, has proposed a National Vocational Qualification Framework.

Ramadorai in charge

To facilitate coordination, S. Ramadorai, former CEO of software services major Tata Consultancy Services, was appointed in February 2011 as advisor to Prime Minister, for the National Council for Skill Development. Ramadorai also oversees NSDC, and co-chairs the National Skill Development Coordination Board with Planning Commission Deputy Chairman Montek Singh Ahluwalia. Last year, Prime Minister Manmohan Singh proposed to set up the National Skill Development Authority (NSDA) as a permanent body and an "attached office" of the Planning Commission. NSDA would be the main agency driving the government's skill development agenda. The functions of the Council and Coordination Board would eventually be subsumed into the NSDA.

When asked about turf wars, Ahluwalia says: "There is always turf conflict in government... if you have a successful effort at coordination, you overcome it. The truth is that the

A LONG WAY TO GO Status report of the National Skill Development Corporation in January 2013

77
Training projects approved

18
Sector skill councils* approved

363,789
People trained

256,166
People placed

* Organisations that bring together industry, labour and academia to develop the workforce in various sectors

Source: NSDC, January 2013

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job that has to be done is huge, so we need to avoid duplication, bring in some rationality." (See interview, page 76.) Indeed, the task on hand is enormous: the 17 ministries, which has a target of training some 350 million by 2022, is woefully behind targets. Against a target of skilling 8.5 million people in 2012/13, just about 1.4 million have been trained by various ministries and NSDC by mid-November.

With two years of work involving 77 projects failing to deliver the goods, it appears that the only way NSDC will cross its milestones is to involve large private companies and institutions, which have the means and infrastructure, in connecting with industry, mapping demand and linking trainees with jobs. "It would be a struggle for the smaller players," says Manish Sabharwal, Chairman of TeamLease Services Pvt Ltd, a staffing company. In part, this is because a company can use an NSDC loan only for working capital, and equipment and machinery. "It cannot be used for real estate or opening a facility," says R.C.M. Reddy, Chairman and Managing Director of IL&FS Education & Technology Services Ltd.

Even the big, successful players find the going challenging. "We do not open too many institutes, to save on real estate cost," says Reddy. He adds that they work in tandem with many states and even other private institutions, and use their facilities.

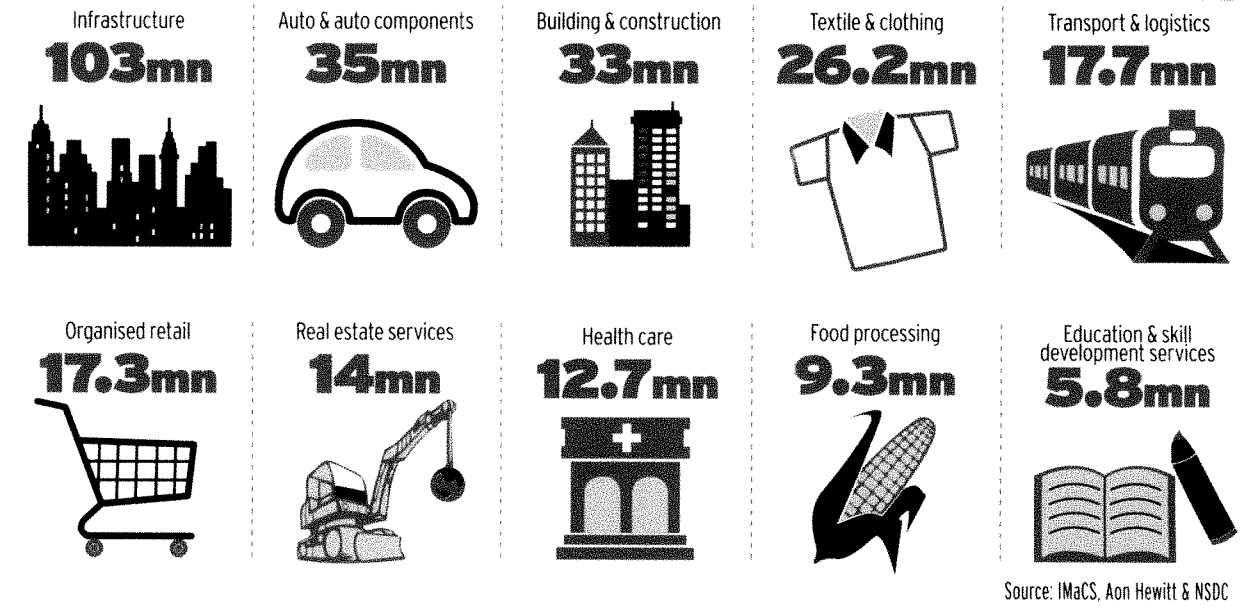
Sabharwal calls for "learning for earning". "In India, all policies are developed by the Centre, but implementation is in the hands of the states," he says. He says labour laws should be left to state governments so they can be customised for local industry. About 90 per cent of employment opportunities require vocational skills, he says, but 90 per cent of schools and colleges deliver only bookish knowledge.

IDFC's India Infrastructure Report, 2012, released this February, notes that poor-quality education leads to low income rather than unemployment: 45 per cent of the country's graduates make less than ₹75,000 a year.

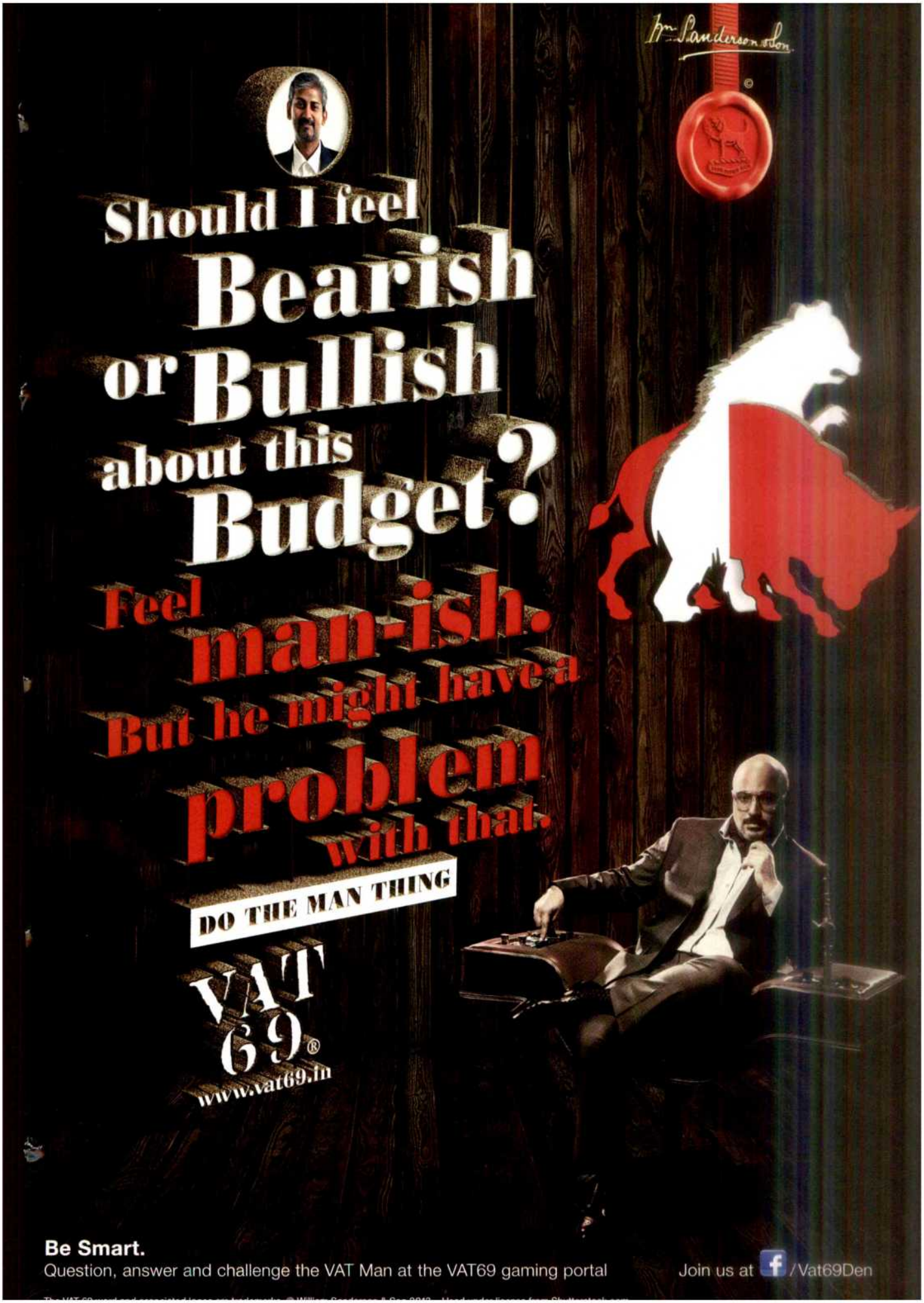
In Gurgaon, Kumar, the electrician, has not heard of training for uneducated people because even the government targets educated people. Most of its courses, whether short-term or as long as two years, require a basic education certificate. Of the 116 courses that a government-run Industrial Training Institute (ITI) can offer, only 20 are open to people who have studied up to Class Eight. The rest are for those who have studied at least up to Class 10. Things are slowly changing: government and private vocational training centres are increasingly offering courses designed to develop the skills of illiterate people in sectors such as animal husbandry, agriculture, construction and retail.

The overwhelming majority of Indian workers is like Kumar. According to the latest Economic Survey, even after 20 years of rapid economic growth, about 85 per cent

GROWING SKILL GAP The expected shortfall in industries in 2022



Source: IMaCS, Aon Hewitt & NSDC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G. KESHAV RAJ

JOY KEZIA, 33yrs

QUALIFICATION
M.Sc (Nursing), Omayal Achi College of Nursing, Chennai

CURRENT JOB
Nursing Co-ordinator, SRM Institute for Medical Sciences

She got a B.Sc in Nursing from the Christian Medical College, Vellore, worked for three years, and then got an M.Sc in nursing. She then taught for a year and a half, which she found "depressing", as teachers and students were apathetic. Students lacked experience, as most colleges were not attached to hospitals. They learned by rote and didn't know basic anatomy. She says hospitals hire diploma holders at low salaries. There are no industry definitions of jobs and salaries in India, and demand is high in other countries. Many nurses get an M.Phil or a Ph.D and become trainers, but few hospitals value that kind of talent. Kezia is pursuing an MBA in Hospital Management at the University of Madras.

of Indian workers are employed in the informal sector. One-third of the jobs in even the public sector were informal, when counted in 2004/05. Among non-agricultural wage earners, more than three-fourths had no written contract, 70 per cent were not eligible for paid leave, and 74 per cent were not covered by social security benefits. The need for training is acute: a seminal study by Boston Consulting Group, engaged by lobby group Confederation of Indian Industry in 2006/07, which is often referred to, noted some two in five in the workforce were illiterate and another 40 per cent were school dropouts. Only about one-tenth had some vocation training, and a similar percentage had completed 12 years of schooling.

In his 2013/14 Budget speech in February, Finance Minister P. Chidambaram proposed an allocation of ₹1,000 crore for a skill development scheme that would offer an incentive of ₹10,000 to every individual who undergoes training. It is still unclear how this would be implemented. Chidambaram also announced a 17 per cent increase in the allocation for the human resources ministry. Industry has welcomed these announcements. Although there are some fears that plans may get bogged down by bureaucracy or corruption, there is broad agreement that the direction is right.

Perception Problem

Budgetary allocations are only part of the solution. The government and educators need to persuade young people to benefit from vocational training and skill development programmes – a job easier said than achieved. Most aspirants want an IT job or an 'office' job, rather than blue-collar work.

Last year, Centum WorkSkills India, a training and skill development company and one of NSDC's biggest private partners, trained 82,000 people for plumbing, facility maintenance and security services, as also for basic, entry-level jobs in retail and hospitality businesses, and placed 63,000. Some 100,000 vacancies remained unfilled, Centum reckons. "I have jobs in facility maintenance that also involves cleaning toilets at offices and malls but people do not want these jobs," says Sanjeev Duggal, CEO and Director of Centum Learning, which has a majority stake in Centum WorkSkills.

Santanu Paul, Managing Director and CEO of another such company, called TalentSprint, says: "About 80 per cent of people only want 20 per cent of jobs in IT, which they see as their ticket to a better life." In short, blue collar jobs are not attractive to youth whose aspirations distort reality. "Our biggest challenge is overcoming the aspirations of youth," says Reddy of IL&FS Education, former Indian Administrative Services officer. "Most do not want training to become carpenters or fitters."

While attitudes are beginning to change in a small way (see *A Ray of Hope*, page 80), evidence suggests that young people still see little value

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"THE JOB THAT HAS TO BE DONE IS HUGE... WE NEED TO BRING IN SOME RATIONALITY"

Montek Singh Ahluwalia, *Deputy Chairman of the Planning Commission and Chairman of the National Skill Development Co-ordination Board, spoke with* **Shamni Pande** *on skilling and the proposed National Skill Development Authority. Edited excerpts:*

What does the proposed National Skill Development Authority (NSDA) hope to solve?

The purpose of the NSDA is to oversee skill development efforts of ministries. Its role will also be to sensitise states about the importance of skill development and to identify success stories and replicate them. Mr Ramadorai will be the head of the NSDA. I am sure that with his experience, we will get to a system of skill development that the private sector will find useful. Ultimately the test of skill development is employability.

But there are turf conflicts between the HRD and labour ministries?

There is always a turf conflict in government. You overcome this through good coordination. The truth is the job that has to be done is huge so we need to avoid duplication and bring in some rationality.

What will it mean in terms of funding, as each ministry gets a separate sum?

The funds will remain. Every implementing ministry will get its own funds, but the advantage of the NSDA is that it will provide an independent assessment of what is working. So, we are really the ones that provide the money and will allocate funds to whatever is working.

But NSDC's funding, allocated in the last Budget, was held back?

I don't think the idea was that all skill development funding will be given to them and then they will allocate. That actually is with the Planning Commission and we allocate, but we would have a body (i.e. NSDA) with whom we will interact that will tell us what is working and what is not. NSDA will take an overview of NSDC as well. It would get reflected in the allocation decision.

SHEKHAR GHOSH

in vocational education or skill development programmes. A recent McKinsey report covering 8,500 respondents in nine countries, titled *Education to Employment*, notes that only 21 per cent of young Indians felt that education beyond the secondary level – whether vocational or academic – would not add value to their lives. Sixty-four per cent say a conventional education is more valued by society.

The report also says educators have an optimistic view of graduates' readiness for jobs. Seventy-two per cent of them were optimistic, compared with 42 per cent of employers and 45 per cent of youth. Interestingly, the report notes that a third of education providers are unable to provide job placement rates – indicating they don't have anything proud to report.

Recruiters, too, do not always value people who have vocational training but lack education. This is another reason many skilling companies are rejigging business models and focusing on college students. "We started by offering skill-building for entry-level jobs, but no one wants such talent," says Ravina Raj Kohli, who set up JobCorp Solutions Pvt Ltd in 2006 to provide skill development services to high school and college-educated people. Other companies, such as CoCubes.com and iSTAR Skill Development Pvt Ltd, also work with colleges.

Like with other market signals, there is something fundamental that such a tepid demand for vocational training shows. The reason may be that the benefits of training are often modest. Take the case of 19-year-old Chinampalli Balakrishna, from Kundurpi village in Andhra Pradesh's Anantapur district. After studying up to class 10, he took a two-year ITI course to train as an electrician, and made about ₹150 a day. A friend told him about another skill development course offered by the National Academy of Construction, Hyderabad. After the

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ADITYA KAPOOR

"Quality training - especially for marginalised youth - requires residential programmes, as they are far removed from what industry wants"

MUKTI MISHRA, Chairman, Gram Tarang Employability Training Services

three-month course, he got a job as an electrician with a private contractor. His cash income is still around ₹4,500 a month, though he gets free food and accommodation. He has a Provident Fund account, but he says he makes just enough money to live on, and cannot support his parents back home.

The skilling agenda seems to be in need of a public relations offensive. Ramadorai of the National Skill Development Council concedes that the entire effort – government and private agencies – is behind on targets, but adds: "We all need to collectively be part of advocacy and build an ecosystem for vocational education." (See interview, page 82.)

Impatient Investors

Ramadorai has a plan, but says it could take "up to a decade" to be implemented. But investors – the 69 companies who are NSDC's partners – have put money into what could be a $20-billion-a-year opportunity, as indicated in a 2010 report by Kotak Institutional Equities Research, titled *The Great Unskilled: Can We Fix It?*, and are getting impatient.

"We were supposed to have a campaign that would make vocational education aspirational," says Kohli of JobCorp. In 2011, she set up a subsidiary called Jobskills, which got an ₹18.4-crore loan from NSDC to train 1.74 million people over 10 years for BPO and financial services jobs. "But nothing has happened. I have sunk in my money. Forget students, even many employers are unwilling to take on trained talent that comes at a slight premium." Like her, many investors struggle with a host of hurdles such as poor-quality jobs and the challenges of migrant labour.

Migration is a factor that any strategy to achieve skilling targets cannot afford to ignore. Mukti Mishra, Chairman of Gram Tarang Employability Training Services, an NSDC partner, says many rural youth trained by his organisation have trouble adjusting to city life and return to their villages, even if it means going back to a region troubled by economic neglect and political violence.

According to the Kotak report, Bihar, Madhya Pradesh, Rajasthan, Uttar Pradesh and West Bengal will make for more than half of the 239 million people projected be added to India's population from 2009 to 2026. Not only do these states score low on many development indicators, they lag on economic parameters compared to, say, peninsular India. Unless there is significant job creation in the poorer states, workers will migrate from there in large numbers to the South and West.

Some argue that job opportunities should be created where labour is available. "Instead of bringing in newcomers, why are people who have existing infrastructure and experience not given preference," asks Mishra of Gram Tarang. He says quality training – especially for marginalised youth – requires residential programmes. "They are so far removed from what industry wants ...

DEGREES OF OPTIMISM

Percentage of respondents in each category who say graduates are prepared for jobs. Interestingly, one-third of education providers cannot provide job placement rates

72% Educators

42% Employers

45% Youth

Source: McKinsey

that mere technical training will be of no help," he says.

Despite their need for skilled workers, companies are not always willing or able to spend what it takes. The construction industry, for example, has huge demand for skilled workers, but most big builders rely on subcontractors and are often unable to implement clauses in project contracts requiring skilled workers. "We insist that we approve the engineer who will oversee the project," says K.L. Gupta, Chairman and Managing Director of the GPL Group, whose businesses include construction. "But like many builders, we are unable to insist that all workers are qualified. Many end up learning on the job, as there is a severe shortage of talent."

B.S. Nagesh, the retail pioneer who helped establish the Shoppers Stop store chain, says many companies hesitate to spend much on junior hires. "The retail industry requires trained entry-level talent, but many are averse to paying a premium for it because they see it as a cost due to the high attrition," he says. He founded the Trust for Retailers and Retail Associates of India to empower retail employees, and is Chairman of the Retailers Association of India.

Attrition, says Nagesh, is caused by poor starting salaries and lack of proper career planning. Managers complain that people quit just because someone else is offering them ₹500 more, but the fact is that entry-level salaries have just not grown.

Perhaps no one is more painfully aware of this than Dilip Chenoy, Managing Director and CEO of NSDC. He has already committed about ₹1,700 crore for skill training in companies. NSDC depends on funding from government and private organisations. The withholding of a ₹1,000 crore allocation made in Budget 2012/13 temporarily left the organisation with a corpus of ₹1,500 crore – less than its commitments to companies. The current Budget has proposed a fresh allocation of ₹500 crore, which will allow it to meet its commitments.

Who Pays for the Poor?

With a target of skilling 150 million by 2022 – the end of the 13th five-year plan – NSDC represents a sizeable subset of the national skilling target. An industry observer says that the organisation is constrained by funding problems and employer apathy. He adds: "We need to address a basic question: who pays for skill development?" Even poor people who pay for skill training need outcomes.

The government offers poor-quality training programmes that are free of charge, while private companies charge fees. "There has to be some thought given to the way one can manage the co-existence of free programmes alongside those that require students to pay," says Girish Singhania, founder and CEO of EduBridge Learning Pvt Ltd, a company that seeks to provide training to rural youth and links them to jobs.

Many in the industry argue that segmentation is the only way out. "Right from our inception, three years back, we get into blue-collar training only if it is funded by the government," says Sharad Talwar, CEO of IndiaCan, a

BT RETRO

In its April 3, 2011, cover story, BT reported that dozens of training companies were sprouting around the country, and that India was starting to train people on a scale large enough to alter the nation's future

Surekha was determined to change her future

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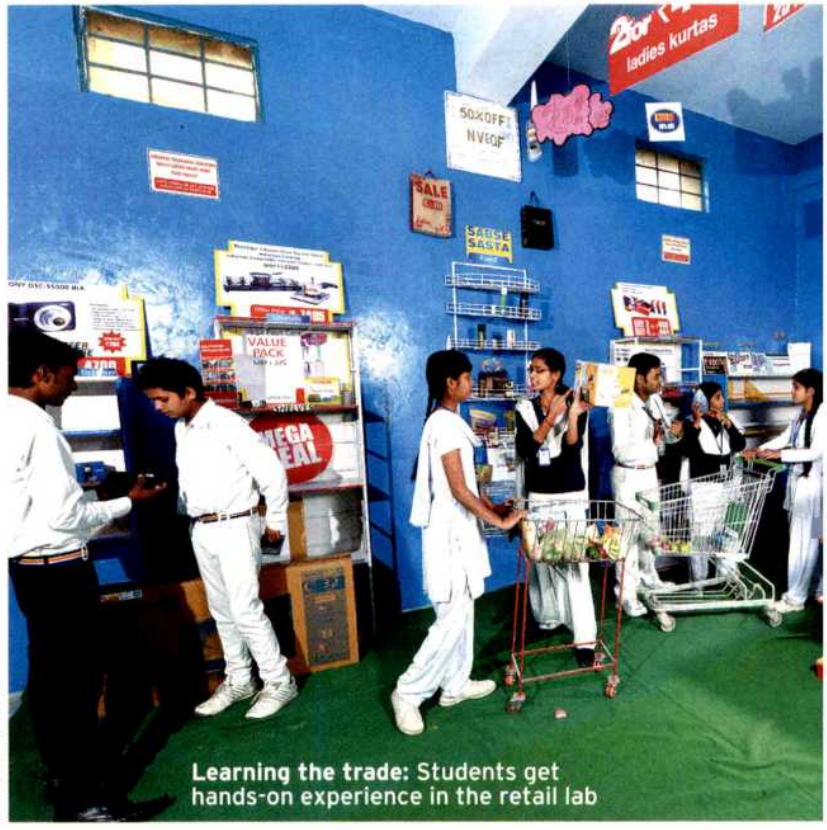
A Ray of Hope

How a Haryana school overcame students' and parents' negative perceptions, and popularised vocational programmes

Forty government schools in Haryana started offering vocational programmes in IT, retail, security and the automotive industry in September 2012. The response was slow to catch on, but build up it did. "We got over 700 requests," says Manoj Kumar, principal of the Government Model Senior Secondary School in Faridabad.

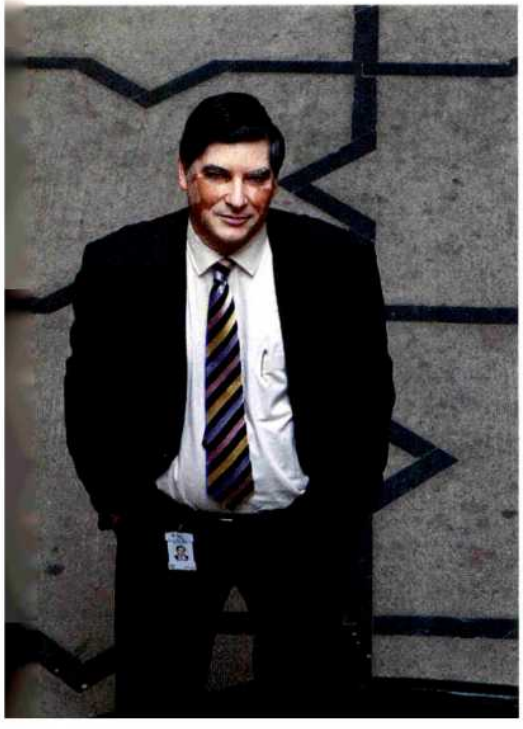
Students are excited about industry visits and assignments with companies. "This is great exposure," says 16-year-old Nidhi Jha, a Class Nine student in the school. "I found computers boring and heavy on theory. But now I know how to make presentations, open e-mail accounts and also what options there are in the IT industry."

Her school, which has more than 6,000 students, offers courses in IT and retail. "Schools offer up to Level 4, which equals the rigour and content of graduation-level



SHEKHAR GHOSH

Learning the trade: Students get hands-on experience in the retail lab



SHEKHAR GHOSH

skilling joint venture of Educomp Solutions Ltd and Pearson Inc, the international education and information company.

But not everyone works that way. "We have so far steered clear of government-funded programmes, as for most of these it is not possible to deliver quality at low rates," says Surga Thilakan, co-founder and CEO, iSTAR Skill Development. "We invest in good faculty and intervention programmes that make a difference."

Partnering with private companies is necessary if NSDC has to scale up, but it is fraught with risk. "We had to create capacity and get people in, so we approved what we considered promising projects, but now we are very cautious," says CEO Chenoy.

"We had to create capacity and get people in, so we approved what we considered promising projects, but now we are very cautious."

DILIP CHENOY,
MD & CEO, National Skill Development Corporation

courses," says Ajay Mohan Goel, Director – Skills Colleges at the Wadhwani Foundation, a non-profit organisation that provides programme management support to the Haryana government.

The effort to weave vocational training into mainstream education is a pilot project of the human resources development ministry and the All India Council for Technical Education. Besides Haryana, the pilot runs in Assam and West Bengal.

Things did not start off smoothly. "There were few takers," says Rekha Menon, Programme Manager, Wadhwani Foundation. "We had to undertake massive education and marketing, as there were perception issues from parents and students."

For many students, vocational education is still not a serious option. "This is a good experience, but I still want to do my regular education and get a degree," says Chanda Chauhan, who studies in Class Nine at the school. "I think I would have better options then."

But Wadhwani Foundation's mobilisation drive was so successful that demand for the courses exceeded the number of seats available. The foundation and the Faridabad school are now in talks to expand the programmes.

The government funds faculty and staff salaries, and the setting up of facilities such as a computer lab or simulated retail environment. The courses, free of charge, are a lifeline for some. "I cannot afford to study further," says Afroz Shaifi, a Class Nine student. "I lost my father at a young age, and I work part-time after school."

Employers who support this initiative seem happy, too. "We found our intern to be very good, and retail needs talent," says Ayush Mittal, Human Resources Executive at a Big Bazaar store in Faridabad.

NSDC nearly signed a deal with the scandal-ridden Everonn Education Ltd before its financial mismanagement came to light. NSDC had even given Everonn a loan, but has recovered most of it since.

Private companies have their own constraints. iSTAR had to revise plans as it suffered a funding crisis after a downturn in the microfinance industry in 2011. "Earlier, students could take loans for our programmes that cost ₹10,000, but then we had to offer cheaper and shorter courses," says Thilakan.

Many trainers have found that training alone does not attract students, and have begun to offer placement services. But structural imbalances and crowding of programmes make many private investors wary. "I continue to be a believer, but I cannot overlook the challenges of this space," says Sandeep Sinha, co-founder, Lumis Partners. Private equity and venture capital funding have been declining in the sector.

If the government does not address the situation soon, the window of opportunity afforded by the demographic dividend just might slam shut. ◆

ADDITIONAL REPORTING BY K.R. BALASUBRAMANYAM, MANU KAUSHIK, N. MADHAVAN AND E. KUMAR SHARMA

Send your comments to editor.bt@intoday.com

Shweta's signs are bridging barriers for the disabled

As a computer teacher for the hearing impaired, Shweta faced a tough challenge – sign language lacked a vocabulary for computer instruction. Undaunted, she decided to simplify learning for her students. Shweta attended Microsoft's teacher training program that empowered her to be innovative and helped her create a new sign language to bring alive the world of computers for her students.

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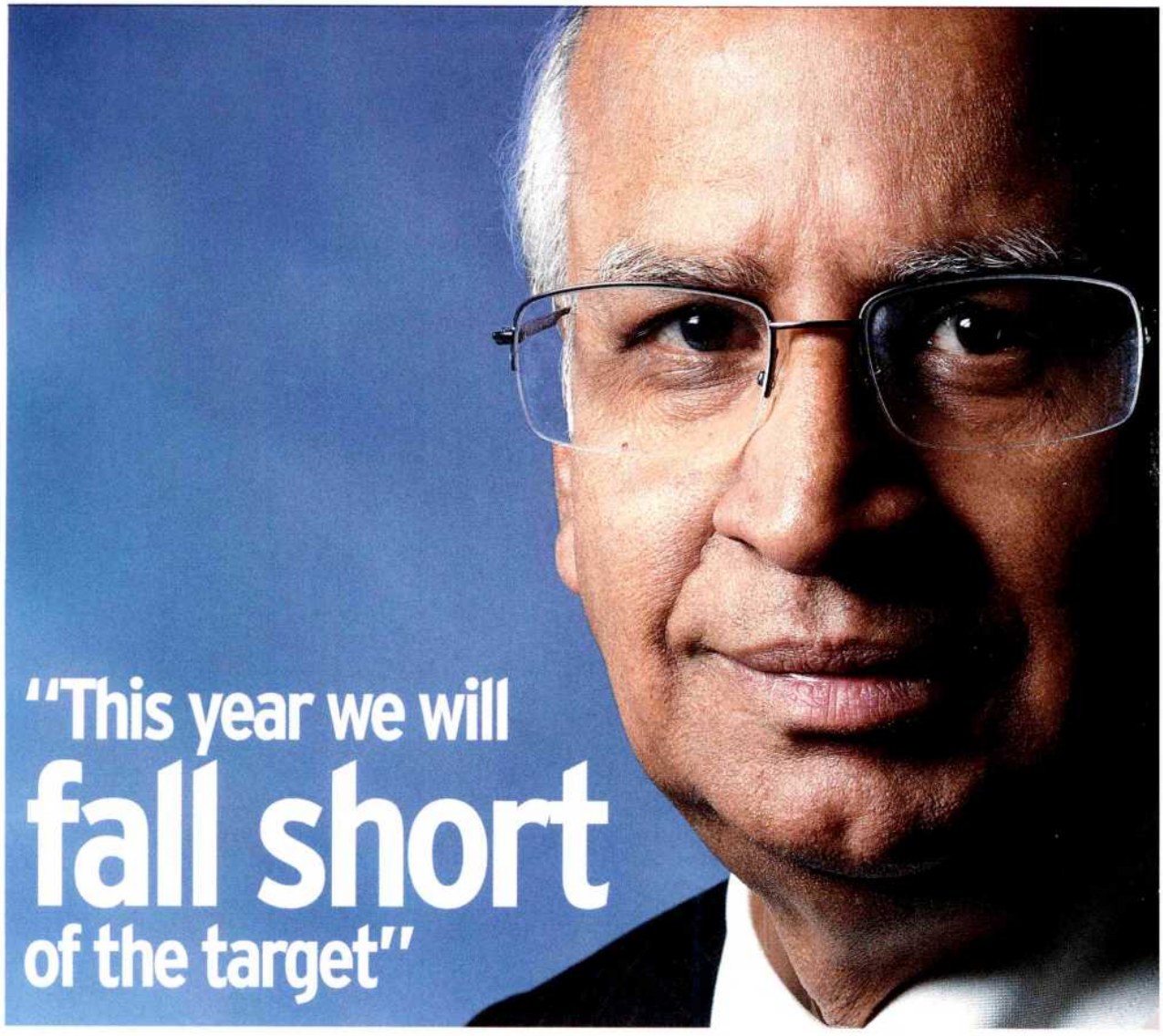

RACHIT GOSWAMI/www.indiatodayimages.com

"This year we will fall short of the target"

fter a lifetime spent powering TCS to its current position as the country's pre-eminent technology company, **S. Ramadorai** *took over as Advisor to the Prime Minister in the National Council for Skill Development in February 2011. He spoke to* **Chaitanya Kalbag** *and* **Shamni Pande** *on the gigantic skilling challenge the country faces. Edited excerpts:*

It is two years since you took charge. How are you tackling the skilling challenge?

The scale of the problem is huge. A combination of things has made it more complex. The notion that everybody should have a paper degree, whether it gets them a job or not, has sunk in so deeply that changing mindsets, making people realise that doing something with their hands is as important and can fetch a livelihood, (is difficult). This is what I call the whole advocacy issue. We are focusing a lot on advocacy.

After advocacy, you look at mobilisation. Mobilisation should be through discovering people's aptitudes rather than simply rounding up a bunch of kids and saying that from tomorrow you are doing vocational training whether you like it or not.

Are you saying there is an aspiration gap? People need something, but want something else?

Yes. It can only be changed with advocacy.

Who is carrying out the advocacy?

All of us . All of you have to do so too.

I think there is a feeling among young people that a proper job provides security such as provident fund, health insurance, etc, which

jobs like welding do not.

Long-term benefits such as PF have to come into the vocational area as well. But to bring about a miracle where everything happens overnight (is not possible). We are trying to operate at the mindset level, we are trying to operate at a level where we introduce vocational skills in schools...all of these will take time.

There seems to be a turf war over skilling. Could the effort get bogged down because of the different things different stakeholders and ministries want?

I think there are enough opportunities without getting into turf wars. And that is why I don't spend my time in Delhi. You have to be where the action is. Implementation is the only focus all of us must have. There are enough policies, enough opportunities, but implementation on ground is most difficult because it's like washing your own clothes. People hesitate to get into it, because it calls for rolling up your sleeves.

What targets do you have?

The numbers are huge. Whether it is 300 or 500 million doesn't matter. The number during the 12th Plan and the 13th Plan – a 10-year period from 2012 to 2022 – is going to be critical. The number is based on the demographic profile of the country.

But numbers show this skilling year's targets are not being met.

Yes. This year we will fall short of the target. But my worry would be more to ensure that people who go for vocational education and come out with training, get a job. It cannot be training for the sake of training. It has to be training with employment.

What has been done to formalise vocational education?

Pilot projects are running in Haryana, Assam.The Brihanmumbai Municipal Corporation (in Mumbai) is doing English language training in association with British Council...

Any successes you can share?

You can go to the TCS office in Kolkata, where you can see the Udaan programme for Jammu & Kashmir. Youth from Kashmir have been trained and placed in BPO operations in the Kolkata office of TCS.

How would you assess NSDC's performance?

NSDC has multiple responsibilities. One is to identify private sector partners. Then it takes a position by way of debt funding, or equity and debt funding. We assess how the partners are doing. It is not like funding is committed for the entire duration. It is based on performance. It has done a good job of selecting partners.

But there are reports that NSDC will not be given further funding. Does this not jeopardise ongoing projects?

It is well funded enough for committing to the private partners it has identified. With the current credit situation squeeze in the country, there have been some cuts. It is a slight shift in the allocation probably, but it is not coming in the way of their performance.

The prime minister has announced the setting up of a National Skill Development Authority. Will it not add to the complexity, with so many bodies already involved in skilling?

No. Once the NDSA is formed, the coordination of 17 ministries will come under this single authority. The NSDC will continue to work with the private sector. So these will be the only two agencies and the NSDA will also oversee the NSDC's functioning.

What willyour role be in the NSDA?

I have no idea, let the Authority get formed. I am focusing on my work.◆

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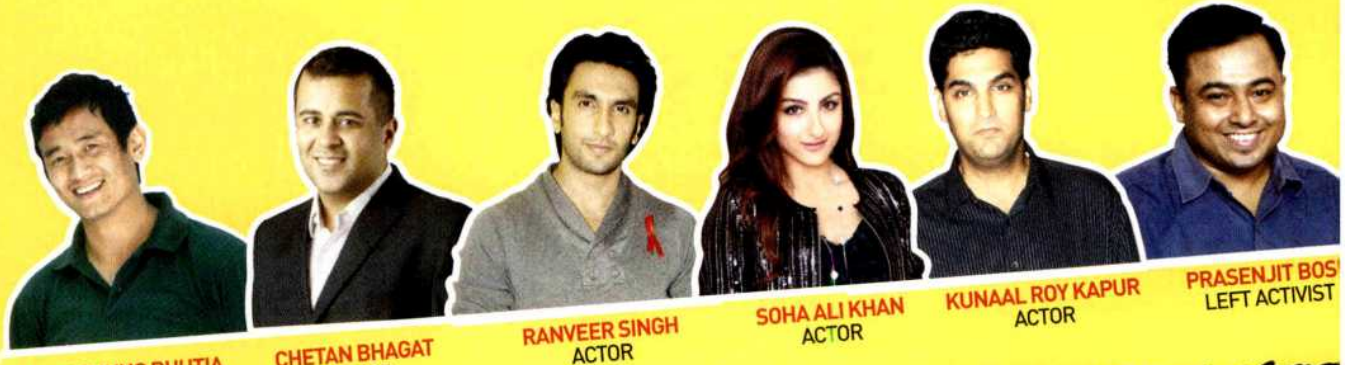

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Look East Policy

Not just Flipkart, many Indian start-ups have moved to Singapore to plug into a low-tax regime and gain easier access to Southeast Asian markets.

By TASLIMA KHAN

When Sameer Khadepaun began looking for funds for his start-up venture Mobikon two years ago, he got multiple offers. Khadepaun had earlier received angel funding from US investors, but this time preferred Jungle Ventures, an early-stage venture capital firm based in Singapore. Why Singapore? Khadepaun felt that the expertise of a venture capital fund from the city-state would help his company expand its reach to Southeast Asia. He moved a step closer to meeting this goal in July 2012 when he shifted Mobikon's base from Pune to Singapore as well. Mobikon, a customer management solutions firm, now caters to 350 hotels and restaurants in five

NILOTPAL BARUAH/www.indiatodayimages.com

countries including India and Singapore. "Sitting in India I would not have imagined that scale," he says. "India is a huge market but Singapore works better for us since we are closer to other emerging economies such as the Philippines and Thailand."

Mobikon is one of several start-ups which have moved headquarters from India to Singapore in recent months. Exact data on such ventures is not available, but the number of Indian companies with operations in the city-state jumped to 4,000 in 2012 from 1,100 in 2000, according to the Singapore Economic Development Board (SEDB). Industry executives say a Singapore presence is ideal for companies aspiring to go global as the city-state is an international business hub. "The very fact that your company is based in Singapore means it is considered more of a regional or global company as the local market is very small," says Murli Ravi, Head of South Asia investment at Singapore-based venture capital firm Jafco Asia.

The trend is most visible in start-ups offering digital marketing, social media and cloud-based services. Anil Mathews, founder of mobile advertising network AdNear, says Singapore acts like a media buying hub for his company across Southeast Asian nations such as Malaysia, Indonesia, and the Philippines. "It is better being based in India if your market is only India, but if you are eyeing the entire Southeast Asian region, the Singapore branding works better," says Mathews, who started AdNear from Bangalore in 2009 and shifted base to Singapore last November. "It gives a great amount of clout and credibility."

Sumesh Menon, founder of U2opia Mobile, agrees with Mathews. "Most of my international customers find it easier to deal with a Singapore company," says Menon, who named U2opia for the city-state's perfect business environment and his favourite rock band U2. Singapore resident Menon set up U2opia there and launched his company's product first in India. The company now has tie-ups with 25 telecom operators in Southeast Asia, Africa and South America to provide a service that allows mobile phone users without an Internet connection to connect to social networking sites such as Facebook and Twitter.

The most compelling reason for Indian entrepreneurs to move their headquarters is the ease of doing business in Singapore. The Southeast Asian nation topped the World Bank's Doing Business 2013 survey of 185 countries. India is ranked 132. In terms of starting a business, the city-state is ranked fourth while India comes in at 173. The World Bank survey also notes that it takes three permits and three days to start a business in Singapore. In comparison, it takes 12 approvals and 27 days to start a business in India.

"The biggest thing companies love there is zero corruption," says Arvind Lakshmikumar, founder and CEO of Tonbo Imaging. The start-up, which makes high-end imaging equipment for armed forces, was set up in Bangalore in 2007 and moved to Singapore last October. Lakshmikumar says Singapore's easier tax regime makes it even more attractive. The city-state caps corporate tax at 17 per cent, compared with more than 30 per cent in India. Lakshmikumar says Tonbo was also paying 35 per cent import duty on raw material and 15.5 per cent value-added tax in India. "That's a huge tax burden," he says.

"Most of my international customers find it easier to deal with a Singapore company"

Sumesh Menon,
Founder, U2opia Mobile

Vaibhav Manek, Partner at business advisory firm KNAV Partners, says a company must be present for at least two years in Singapore to avail tax benefits. Companies must also show a minimum S$200,000 in costs and at least one founder should have a work visa in the city-state, he says. "Singapore is a fantastic structure to explore but companies can get tax benefits only if

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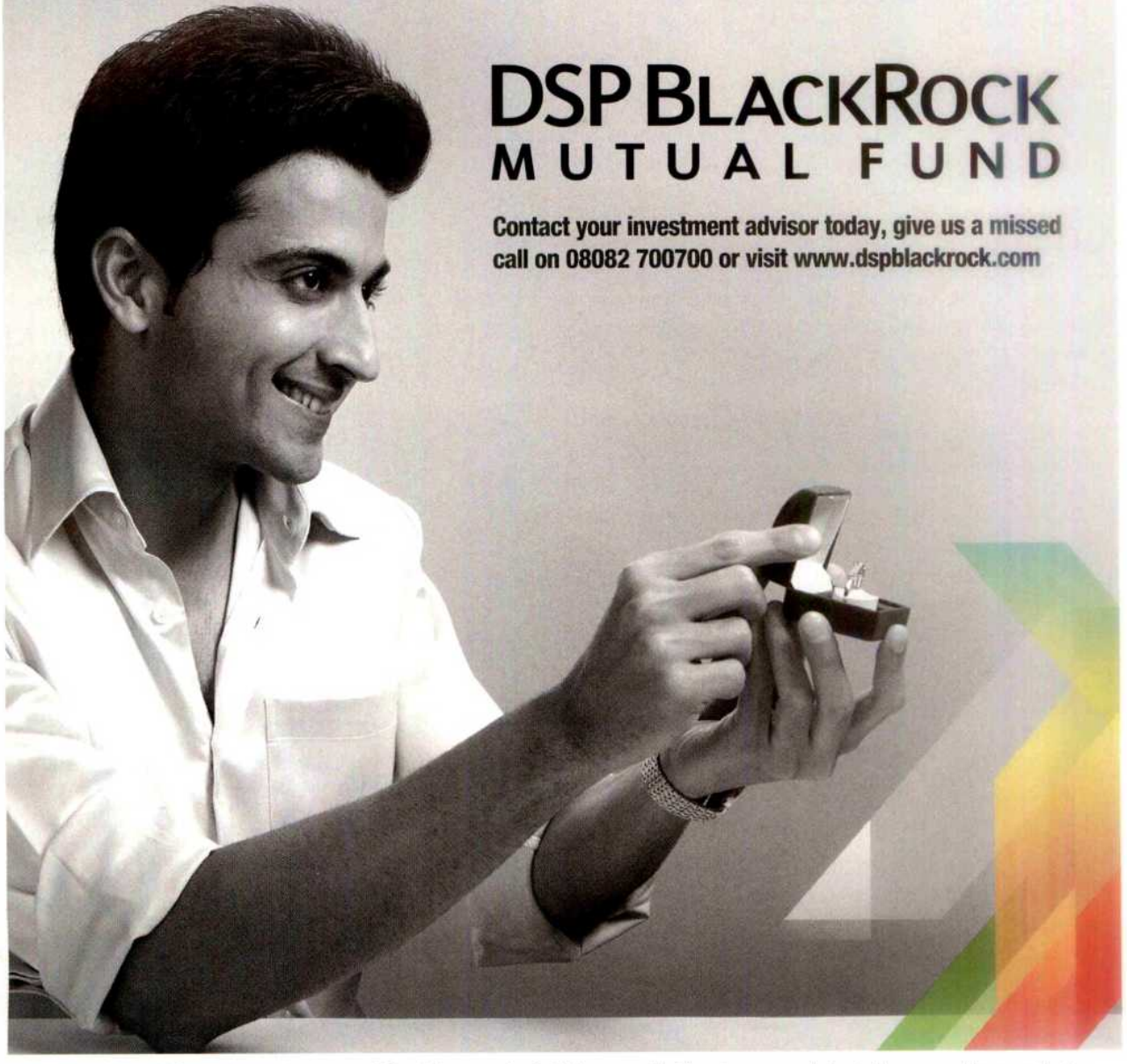

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"Singapore works better for us since we are closer to other emerging economies such as Thailand and the Philippines"

Sameer Khadepaun, Co-founder and CEO of Mobikon Asia, at a restaurant in Pune

RACHIT GOSWAMI

they can prove that the motive to opt for this structure is not tax benefits only," he adds.

Besides, the city-state offers incentives to companies hiring Singaporeans, though it is not mandatory to employ locals. "The government subsidizes about half the salary of new hires if they are locals. But these should have technical profiles like research, not in sales or operations," says Mathews of AdNear.

Start-ups also benefit from the funding available through growing angel investor and venture capital networks in Singapore, says Lee Eng Keat, International Director (Asia-Pacific), SEDB. Mobikon, for instance, raised $2 million in a joint investment from SPRING Singapore and Jungle Ventures. SPRING is a government-operated fund that invests in start-ups along with local venture capital firms. Easier listing norms and the dream of a US listing are also major attractions for start-up ventures.

Not all companies are talking openly about moving to Singapore. Industry sources say that e-retailer Flipkart shifted its parent company to Singapore in 2011. Flipkart refuses to comment on the issue. Capillary Technologies, a customer engagement solutions provider which shifted from Kolkata to Singapore last July, does not want to talk much about the reasons for the move. "We do not want to be seen as a company which is shifting base to save taxes," says co-founder Krishna Mehra. "We are very much an Indian company at heart."

Mohan Kumar, Executive Director at Norwest Venture Partners India, says shifting to Singapore was a "smart move" by Capillary since it has a large number of customers in that region. Kumar believes that the trend, which has accelerated over the past two to three years, is likely to pick up further. Norwest along with Sequoia Capital and Qualcomm Ventures invested $15.5 million in Capillary in September 2012.

Despite moving to Singapore, most start-ups retain their development centres and a heavy operational presence in India. Experts caution that companies should evaluate the strategic move carefully. "A company should shift only if its major operations or customer base are in the Southeast Asia region," says Jafco's Ravi. "It does not make much sense operationally if you are incorporated in Singapore and have all your operations in India." ◆

Singapore's Allure

The city-state offers multiple benefits to start-ups

- Corporate tax rate capped at 17% versus over 30% in India
- Strong branding as a global business centre
- Works as a hub to expand presence across Southeast Asia
- Government subsidizes about half the salary of tech staff if they are locals
- Easier to start, operate and close a business there
- Liberal stock listing norms, allows direct overseas listing

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"We have run a 100-metre race really well by making short-duration reality shows. We now want to run a marathon, as fiction soaps have a two- or three-year horizon"

Deepak Dhar, Managing Director, Endemol India, on the sets of *Nautanki - The Comedy Theatre,* currently showing on Colors channel

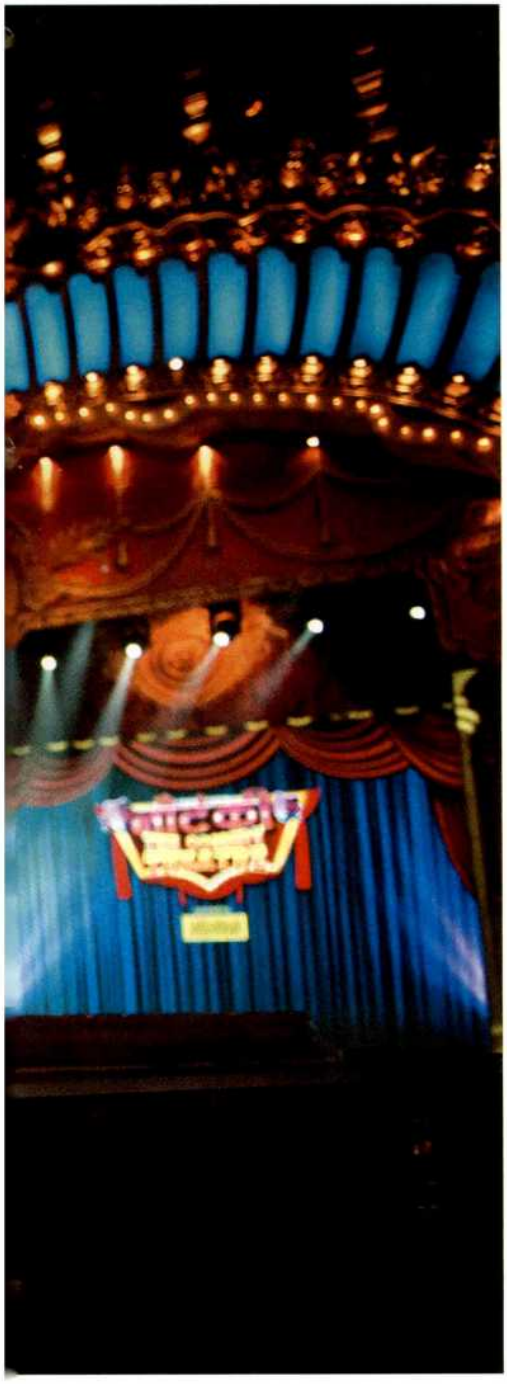
THE JOURNEY SO FAR: A snapshot of Endemol India

ENDEMOL, based in the Netherlands, sets shop in **INDIA IN 2006**

Reality shows like **BIGG BOSS** and **FEAR FACTOR** became big draw in 2008

IN 2009, Endemol entered the southern market followed by Bengali and Marathi

CA Media acquired a **49%** stake in Endemol India in 2012



NISHIKANT GAMRE

The Octopus of the Small Screen

With reality shows such as Bigg Boss, Endemol has emerged as one of India's biggest TV production companies. What does it plan to do next? By ANAND ADHIKARI

When Deepak Dhar told his family he was resigning as group head of programming at Star TV to join a Dutch company named Endemol, the reaction was one of amazement. "My mother wondered why I was joining a cough syrup company," says Dhar, Managing Director of Endemol India, with a joyful grin on his face. His mother wasn't the only one amused. After all, Endemol does sound like a medicine (think paracetamol). But, that was seven years ago. There is no such misconception now, as Endemol has emerged as one of India's largest TV production companies, weighing in alongside much older rivals such as Balaji Telefilms and Cinevistaas.

How did the company achieve this feat in such a short time? The success of Endemol, named for its Dutch founders Joop van den Ende and John de Mol, is largely a result of its hit reality shows such as *Bigg Boss* and *Fear Factor–Khatron Ke Khiladi*. Both are local adaptations of Endemol's popular reality shows *Big Brother* and *Fear Factor* in other markets such as the UK. Still, it wasn't easy to convince broadcasters to take up reality shows at a time when family dramas involving wicked mothers-in-law scheming against their daughters-in-law were the rage.

"Back then (in 2006) no production house dared to venture into differentiated content," recalls Dhar, who was Endemol's creative director at the time. That did not deter Dhar and his then boss, Rajesh Kamat. Both believed that Endemol's hit global reality shows would work in India as well. "We used to stock as many DVDs as possible of global reality shows in our cars while meeting with broadcasters," says Dhar, sitting in the company's cramped head office, in Mumbai's Andheri suburb, that is a far cry from the swanky sets where its shows are recorded.

Endemol dishes out **1,000 HOURS** of programming in India annually

The **MOVIES** and **DIGITAL CONTENT** roll-out to happen in 2013

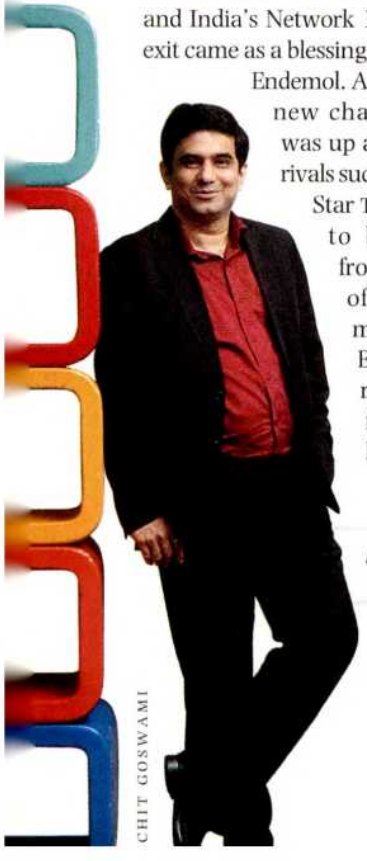
PEER REVIEW: How Endemol stands in comparison with its main competitors

	ENDEMOL	BALAJI TELEFILMS	BIG SYNERGY	CREATIVE EYE	OPTYMYSTIX	CINEVISTAAS
YEAR OF INCEPTION	2006	1994	1988	1984	2002	1993
KNOWN FOR	Bigg Boss, The Great Indian Laughter Challenge	Kyunki Saas Bhi Kabhi Bahu Thi and Kahaani Ghar Ghar Ki	Kaun Benega Crorepati and Sach Ka Saamna	Kahan Gaye Woh Log and Rangoli	Kahani Comedy Circus Ki and Crime Patrol	Gul Gulshan Gulfaam and Sanjivani
REVENUE*	₹131cr	₹188cr	₹88cr	₹31cr	₹80cr**	₹36cr
NET PROFIT	₹4cr	₹22cr	₹15cr	₹2cr	NA	₹1lakh

* Consolidated numbers for 2011/12, **Estimate Sources: Bombay Stock Exchange, Annual reports, BT Research

Their first big break came in 2006 from Star TV, which was also Kamat's previous employer. Endemol created a stand-up comedy show, called *The Great Indian Laughter Challenge*, for the channel. The show was a runaway hit and ran for four seasons. It was followed by *Bigg Boss* for Sony in late 2006.

Kamat quit Endemol at the end of 2007 to join general entertainment channel Colors, backed by a joint venture of the US-based Viacom Inc and India's Network 18 Group. His exit came as a blessing in disguise for Endemol. As the head of a new channel, Kamat was up against strong rivals such as Sony and Star TV. He wanted to break away from the clutter of family dramas, and Endemol's top reality shows fitted well in his strategy.



CHIT GOSWAMI

The second season of *Bigg Boss* began on Colors. The show has now run for six seasons. *Fear Factor*, an adventure reality show, was launched in 2008 and ran for four seasons.

Both shows brought more visibility for Endemol. An important reason for the popularity of Endemol's shows was their star hosts – Salman Khan for *Bigg Boss* and Akshay Kumar for *Fear Factor*. The shows were also instrumental in taking Colors to the top of television ratings. Dhar says *Bigg Boss* and *Fear Factor* created a buzz at a time when other production houses such as Balaji were churning out family dramas. "Who would think of putting 13 women in a show like *Fear Factor* on prime time?"

The success of these shows gave Endemol a perfect launch pad to aim for becoming a full-fledged production house. In 2008, the company forayed into fiction shows, which has a 60 to 70 per cent share of the Indian TV market. It first joined hands with Star TV as a co-producer for shows such as *Sabki Laadli Bebo* and *Miley Jab Hum Tum*. Two years ago, Endemol launched its own fiction show *Chhajje Chhajje Ka Pyaar*. It now churns out 1,000 hours of programming annually across various formats in Hindi and regional languages. In 2011/12, it earned a net profit of ₹4 crore on revenue of ₹131 crore (see *Peer Review*).

Regional markets, especially the southern, Bengali and Marathi markets, are fast-growing verticals for Endemol. "Southern audiences are hooked to game and talent shows," says Dhar. Endemol took his biggest game show, *Deal or No Deal*, to Sun TV, a Chennai-based network owned by Kalanithi Maran. Sun TV signed up for the show in Tamil, Telugu, Kannada, and Malayalam. The show was a hit and ran for 400 episodes.

Dhar explains Endemol's growth strategy with an analogy. "We have run a 100-metre race really well by making short-duration reality shows. We now want to run a marathon, as fiction soaps have a two- or three-year horizon," he says.

"If you are a content producer you have to dabble in films to build scale"

Rajesh Kamat, India CEO, CA Media, and Board Member, Endemol India

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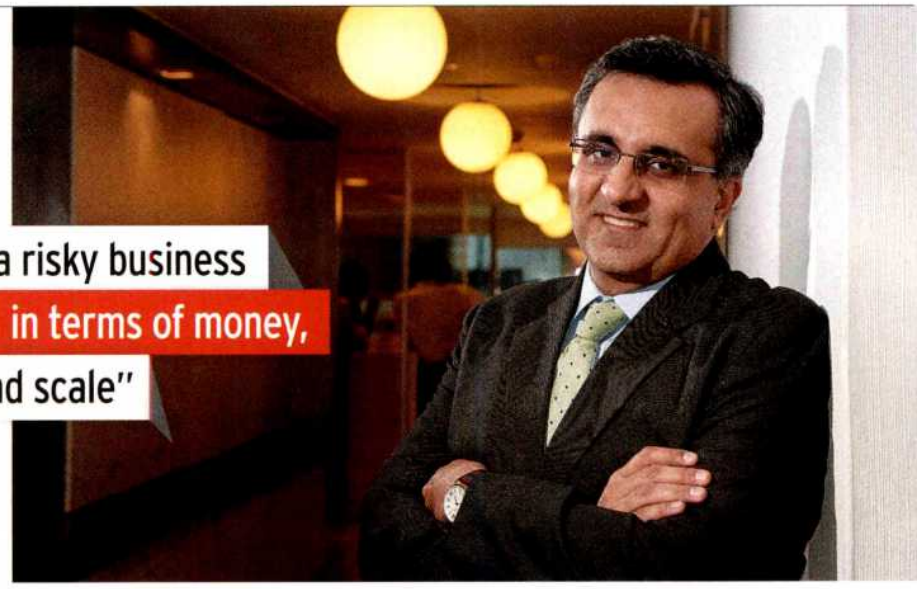

"Movie-making is a risky business in terms of money, production and scale"

Jehil Thakkar,
Head of Media and Entertainment, KPMG India

NISHIKANT GAMRE

The opportunity is huge. According to a study by consulting firm KPMG, India has nearly 150 million TV owning households and more than 830 channels. KPMG estimates that India's TV market is likely to expand at a 17 per cent compound rate annually to ₹73,500 crore by 2016 from ₹38,000 crore in 2012.

But scaling up is a challenge. "Television is a very fragmented industry world over because of its creative nature and execution challenges," says Jehil Thakkar, who heads media and entertainment at KPMG India. Endemol also has strong rivals. Fremantle Media, for instance, has made hit reality shows such as *Indian Idol* and *India's Got Talent*. Big Synergy, part of billionaire Anil Ambani's Reliance Group, has produced game show *Kaun Banega Crorepati* with Bollywood superstar Amitabh Bachchan as host and also makes shows for regional markets. "A bulk of Endemol's growth has come by replicating successful global reality and game shows," says an executive from a rival company who does not wish to be named. "It doesn't have the same advantage in fiction shows."

Dhar says the challenge is to select the shows from Endemol Group's global portfolio of 5,000 programmes that can be tailored for India. He lists *Mr and Mrs Pells*, a successful fiction show produced by Endemol's Argentine unit, for a possible India entry. Another one is *Penoza*, a famous Dutch series. He is also preparing to introduce quiz show *One Versus 100*, which ran in the US, the UK, Israel and Indonesia.

Next on Endemol's agenda are movies. A year ago, Dhar discussed his plans with Kamat, his former boss. Kamat had, in April 2011, quit Colors to join CA Media as its India CEO. CA Media, based in Hong Kong, was set up by Peter Chernin and Paul Aiello, to invest in media, entertainment and technology businesses in India, China and Indonesia. Chernin was previously president of News Corp and the CEO of its Fox movie unit that made blockbuster films such as *Titanic* and *Avatar*. Aiello previously headed News Corp's Asian cable TV business.

Kamat convinced Chernin and Aiello to invest in Endemol India. In April 2012, CA Media picked up a 49 per cent stake in Endemol India for an undisclosed amount. The investment provides Endemol the benefit of CA Media's expertise in movie-making. "If you are a content producer you have to dabble in films to build scale," reasons Kamat, who is now on Endemol India's board.

As a first step, Endemol last year bought the remake rights of *Kahaani*, a hit movie starring Vidya Balan, for southern markets. "We want to buy movie rights from both southern and Hindi markets for remakes," says Dhar. On February 12, Endemol announced a ₹100 crore deal with Eros International for three movies. Some industry watchers say an expansion into films will help Endemol, as margins in the fragmented TV industry are far too low. But KPMG's Thakkar adds a note of caution. "Movie-making is a risky business in terms of money, production and scale."

Endemol also plans to make aggressive forays into the digital space. CA Media already has stakes in popular YouTube channels in the UK and Spain. Endemol Group, too, has a partnership with YouTube for specialised channels for European markets. The next few years will be challenging, as the company expands and enters new business verticals. "It is an exciting time in India and, at times, it is unnerving," says Dhar.

What is his vision for Endemol? "I hope Endemol, at some point of time, becomes an octopus," says Dhar. That's an interesting comparison, as the eight-armed sea animal is known as much for its intelligence as its flexibility and survival skills. ◆

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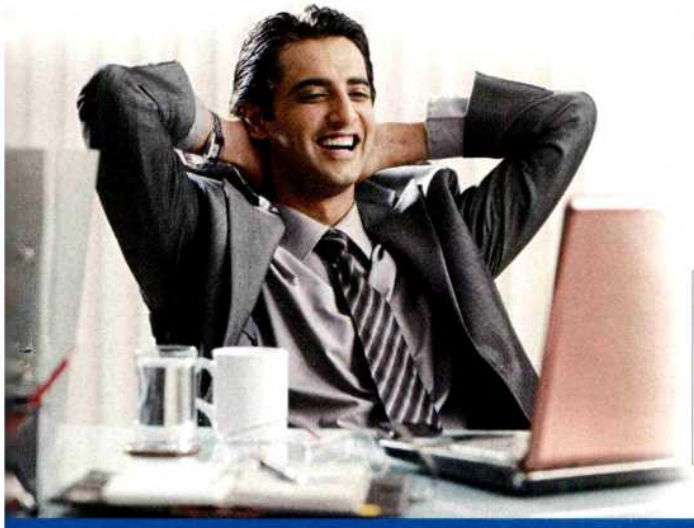

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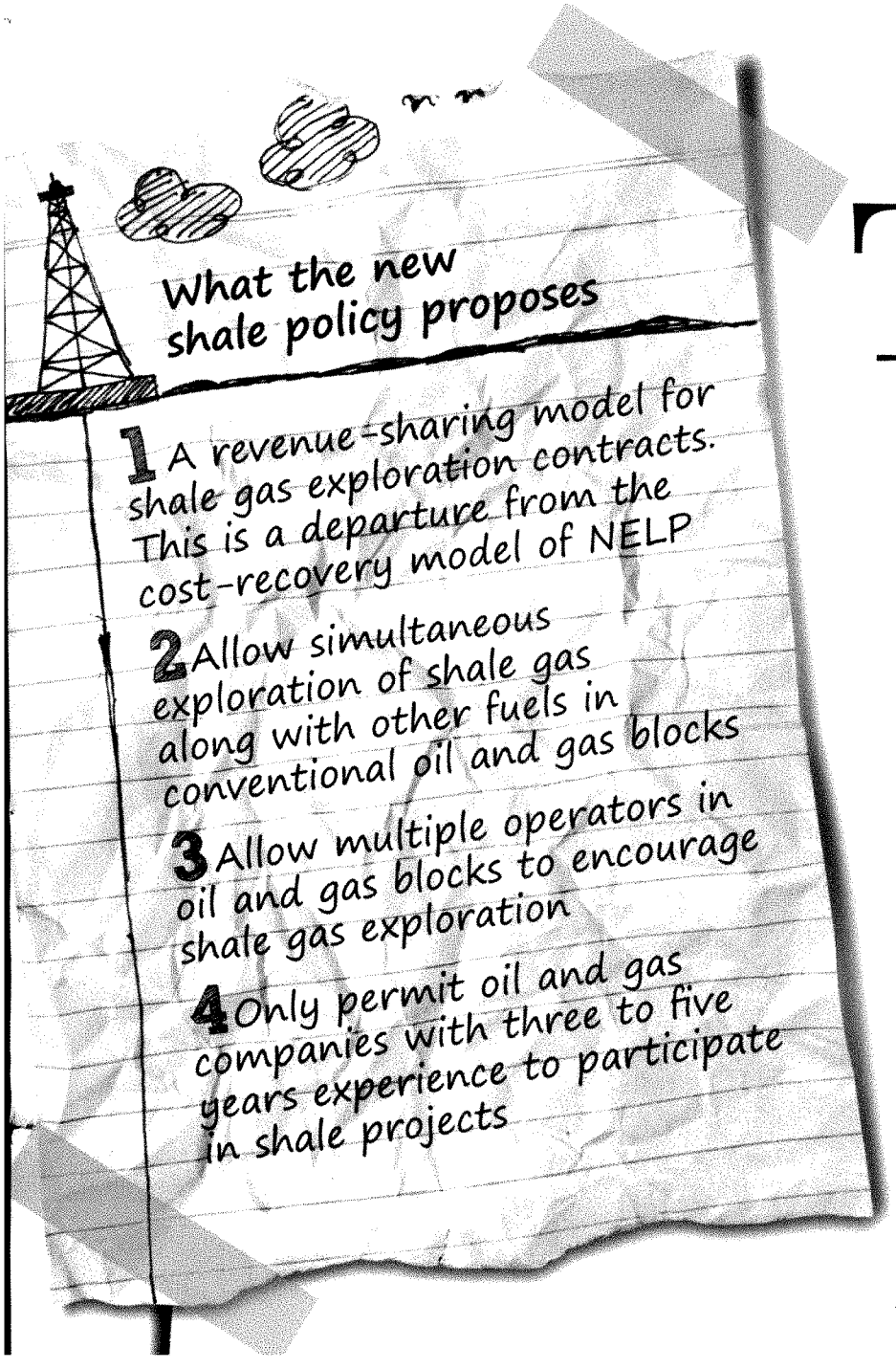
Rocky Road

India is finally ready with its shale gas policy, but it does not signal the end of the problems in harnessing this resource. By ANILESH S. MAHAJAN



The sleepy village of Icchapur in West Bengal made headlines in January 2011, when the Oil and Natural Gas Corporation (ONGC), along with the US-based oil services company Schlumberger discovered shale gas reserves in the region. It was estimated that the reserves could be as much as a trillion cubic feet (tcf). At around the same time, the US-based oil and gas explorer Joshi Technologies Ltd reported a shale find at its conventional gas well in Gujarat's Cambay basin.

These were among the first major shale gas finds in India. Many analysts called them the tip of an iceberg. Indeed, US government's statistical and analytical agency Energy Information Administration estimates that India has shale gas reserves of 290 tcf, of which 63 tcf is recoverable. This is good enough to meet India's natural gas demand for the next 33 years, according to the petroleum ministry estimates.

Shale Hunt

Countries tapping shale gas reserves

Figures in billion cubic feet

POLAND
RESERVES: **187,000**
OUTCOME: 111 shale gas exploration concessions have been granted to companies

GERMANY
RESERVES: **8,100**
OUTCOME: 12 exploration concessions have been granted. More may come soon

UKRAINE
RESERVES: **42,300**
OUTCOME: Signed a $10-bn deal with Royal Dutch Shell. Exploration on at 15 test wells

US
RESERVES: **482,000**
OUTCOME: 12 exploration concessions have been granted. More may come soon

AUSTRALIA
RESERVES: **396,000**
OUTCOME: Shale gas exploration is underway in the Cooper, Georgina and Galilee basins

UK
RESERVES: **20,000**
OUTCOME: Awarded a total of 334 licences for onshore exploration

CHINA
RESERVES: **882,750**
OUTCOME: 16 companies have won bids to explore 19 shale gas blocks

INDIA
RESERVES: **63,000**
OUTCOME: India is in process of identifying potential shale gas reserves in 11 basins

Source: EIA, SDG

The Indian government seems to have belatedly woken up to the potential of shale gas in meeting India's energy needs. The petroleum ministry is finally ready with its shale gas policy to commence exploration and production in India after debating and fine-tuning it for over two years. Currently, an inter-ministerial group is studying the new policy and is likely to seek Cabinet approval in mid-March. It is expected that India might offer shale blocks for exploration in September. "We are ready with our shale policy, and can announce it any time," Petroleum Minister Veerappa Moily told reporters cently.

The Indian government is trying to evolve a big-bang policy to woo prospective investors, petroleum ministry officials told *Business Today*. It plans to shift from profit-sharing to a revenue-sharing formula for shale gas projects. The present cost-recovery model of the New Exploration Licensing Policy (NELP), which allows operators to recover all their investment before sharing profits with the government, had faced flak from the Comptroller and Auditor General (CAG). The CAG felt that the cost-recovery model incentivises companies to keep raising investment figures to defer the government's profits.

Moreover, the government is considering an amendment in mining rules framed in 1959 to allow the simultaneous exploration of more than one fuel in oil and gas blocks. This policy will give the first right of refusal to the operator of conventional gas blocks, or other fuel such as coal, where it is believed shale gas might be found. "Eventually, multiple operatorship in production areas will have to be introduced in case the original operator is not willing to develop shale gas," says Avinash Chandra, former Director General of Directorate of Hydrocarbons, which formulates the exploration policy for the petroleum ministry.

The new shale policy aims to target only experienced oil and gas companies. A three to five years of operational expertise is likely to be mandatory, petroleum ministry officials said. NELP allows relatively new companies to take smaller and onland blocks, but it would not be allowed for shale projects. "It is two to three times costlier than conventional gas and drilling is very tricky," points out Aashish Mehra, Managing Director & Partner at US-based Strategic Decisions Group's (SDG) Asia Pacific Chapter.

"These are positive steps, and would impress most of the global investors who are looking forward to participating in India's shale gas exploration projects," says Herb Dhaliwal, Canada's former Minister for Natural Resources. Under Dhaliwal's stewardship, Canada took giant strides forward in shale gas exploration. Dhaliwal is also a director at East West Petroleum Corporation, which has a 10 per cent participatory interest in an oil and gas block in the Assam-Arakan basin. This basin also has shale gas reserves.

The Indian oil and gas industry, too, is now waiting for the shale policy to be formally announced. "Once the Indian government announces the policy, we will take our decision," says B.C. Tripathi, CMD, GAIL India.

India may have to pay a price for hopping on to the shale bandwagon after a host of other coun-

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"We are ready with the shale policy, and can announce it any time"

Veerappa Moily,
Petroleum Minister

"These are positive steps, and would impress most of the global investors"

Herb Dhaliwal, Director,
East West Petroleum Corporation

tries, say experts. US and China, along with Australia, Canada, Poland, Ukraine, and Spain, have taken big strides forward in tapping their shale gas reserves even as India wasted precious time in formulating its strategy. Shale meets 20 per cent of the natural gas demand of US. This has significantly reduced its dependence on imported gas.

Currently, several countries are already in different stages of shale gas exploration. The rush for equipment and technology will only worsen, adding to the cost and making this gas expensive," says Deepak Mahurkar, Associate Director at PwC India. The existing demand for natural gas in India is roughly 290 million metric standard cubic metre per day (mmscmd) and is projected to grow to 470 mmscmd by 2016. Domestic supply, however, is less than half of the existing demand.

There are other teething troubles. Several issues related to shale gas exploration are yet to be resolved, which are independent of the new policy. This includes land acquisition problems and environmental concerns.

Vandana Hari, Editorial Director at energy reach organisation Platts's Asia office in Singapore, believes attracting investment and companies with the technological know-how depends on a host of factors. "The extraction process requires large contiguous tracts of land, as well as plenty of water supply, which might present a problem in a country like India," she says. Most of the shale gas blocks are in the disturbed areas – affected by either Naxalism or other forms of extremism – such as Assam Arakan, or Damodaran Basin. Land acquisition then could be a thorny issue

Environmental concerns, too, could slow down progress on shale gas exploration. The hydro fracturing technology – the most advanced technique available for shale gas explorations – has been in the eye of a storm recently. In Europe, this technology was thought to be responsible for mini-earthquakes in the United Kingdom in 2011. France, Romania, Bulgaria, along with some other countries, imposed a moratorium on exploration. Many of these countries are planning to resume exploration again.

India, though, could learn lessons from Germany. The German environment ministry in a study has suggested that fracturing technology should not be banned, but shale gas operations should not take place in water protection zones. Also, it has proposed that environmental impact assessments must be mandatory for drill sites. "This would make the companies more sensitive to environmental issues," says Mehra of SDG.

Clearly, while a shale gas policy may have been the need of the hour, the Indian government will not find it easy to give a big push to exploration and production in India. ◆

BT RETRO

BT's January 20, 2013 cover story on emerging trends in the energy market predicted that cheap and abundant shale gas reserves would go a long way in meeting the growing energy needs of India and the rest of the world.

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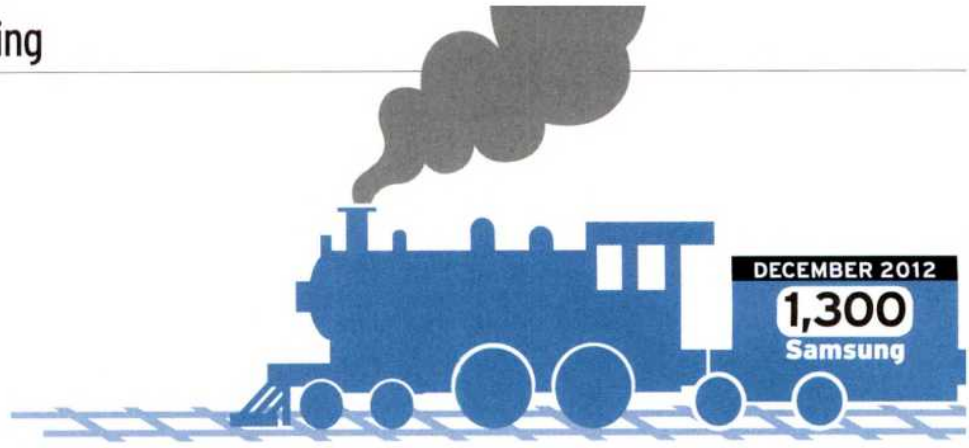
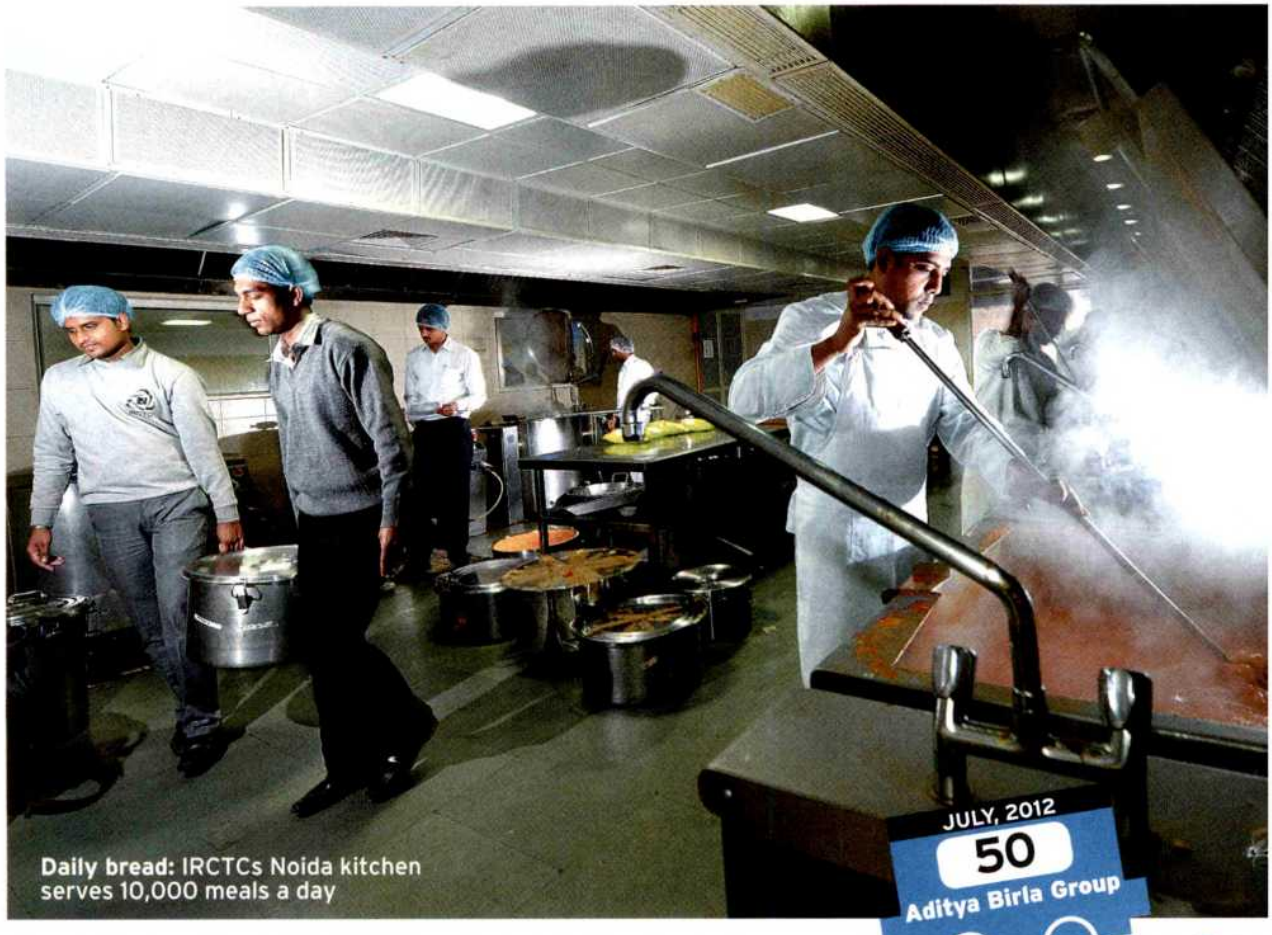


A New Recipe

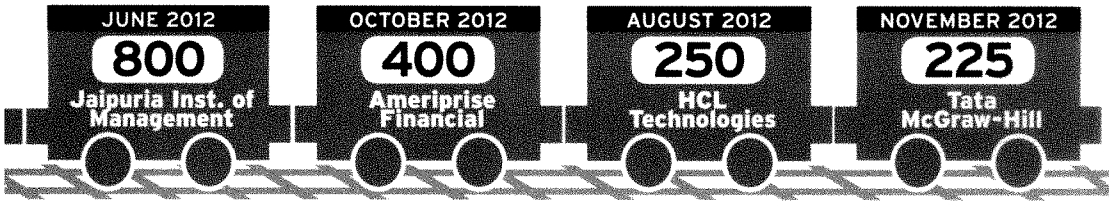
Since it lost much of its train catering business, railway caterer IRCTC has begun cooking for companies. By DEARTON THOMAS HECTOR



Daily bread: IRCTCs Noida kitchen serves 10,000 meals a day

PHOTOGRAPHS BY SHEKHAR GHOSH

DEAL SIZE Data on the month in which IRCTC's service began and the number of meals it serves daily



When life handed it a lemon, the government-owned Indian Railways Catering and Tourism Corporation (IRCTC) decided to make lemonade – and sell it to corporate clients.

The railway ministry made a policy decision in 2010 that the Indian Railways would gradually take over the management of train and station catering from IRCTC. The railways would also manage the contracts that IRCTC had signed with vendors. IRCTC, a 'miniratna' company, was set up in 2001, specifically to cater to railway passengers. But it now caters on just 39 trains, down from some 300 trains in 2010 – a loss of almost ₹200 crore worth of business.

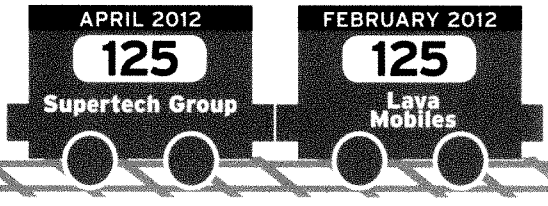
In 2011/12, IRCTC's total income fell to ₹554 crore from ₹765 crore in 2010/11, and profit before tax fell to ₹77 crore from ₹130 crore. Income from IRCTC's railway catering remained the same at around ₹198 crore, but income from catering to non-railway clients – such as companies and ministries – was ₹10.8 crore in 2011/12, up from ₹6.64 crore the previous year.

IRCTC had its own kitchens, as well as some that were operated by licensees. All licensee kitchens and part of the departmental ones have been transferred to the railways. So now, besides catering on 39 trains (including 23 Durontos), IRCTC runs three base kitchens, which supply food to trains and stations, 14 Jan Aahara self-service cafeterias and 10 refreshment rooms which serve light snacks. It also continues to cater to offices and institutions such as the external affairs and finance ministries, and the Indian Institute of Technology, Delhi.

Over the past year, IRCTC's corporate client list has grown. It now includes Samsung, the Aditya Birla Group, HCL Technologies, Jaipuria Institute of Management, Lava Mobiles and Tata McGraw-Hill. "Our vision is to provide hygienic and high quality meals," says Sudhir Warrier, Joint General Manager, IRCTC. "We want corporates to see us as benchmark of quality."

Perhaps IRCTC would have had to take the corporate route anyway, as the railway catering business was not breaking even, according to Warrier, who also heads the company's Noida facility. This business incurred a loss of ₹53.6 crore in 2011/12. An IRCTC official, who wishes to remain unnamed, says the company was losing almost ₹6 per meal in the railway catering business, even though IRCTC was profitable overall.

The kitchen in Noida, near Delhi, was built with an initial investment of around ₹6.5 crore. It uses imported equipment and is on par with kitchens that cater to airlines, with machines that cut up to 200 kilos of vegetables and crank out 1,000 chapatis in an hour. Work starts at 5.30 am and goes on until 7 pm. The staff of 120 – mostly graduates of hotel management institutes – includes 30 chefs. IRCTC has its own delivery vans that distribute meals in the National Capital Region.



IRCTC canteen at Tata McGraw-Hill

The price of a meal varies between ₹50 and ₹70. "We get different demands from customers," says Sumesh Surendran, head of production at the kitchen. We serve idli-vada to continental to Chinese." The kitchen will soon complete a year, and has already earned around ₹15 crore in revenues. "We look to break even this year, but we are not looking at profit margins right now," says Warrier. The kitchen, which produces 10,000 meals a day, is increasing its capacity to 25,000. Its target is a turnover of ₹35 crore by 2015.

IRCTC is also setting up such 'food factories' in the other metros. "We plan to start the Chennai facility this year, Kolkata in 2014 and Mumbai in 2015," says Warrier.

Samsung employees are pleased with their new caterer. "We thought it would be like railway catering, but it turned out to be very good. It has a homely taste," says Santosh Upadhyay at Samsung Noida Campus. Other clients endorse his view. "We chose IRCTC because of its brand name, and the rates are on par with the market rates," says Parvez Sajid, Head of Administration, Lava Mobiles. Rita Nayyer, Assistant Manager, Administration, at Tata McGraw-Hill, agrees. "Our previous supplier didn't directly supply the food. It used other vendors. IRCTC uses its own employees... They are all diploma holders and know how to behave with customers," she says.

Arvind Singhal, Chairman of retail consultancy Technopak Advisors, however, sounds a note of caution. "They will face tough competition from regional players," he says. "They were a monopoly. They are not used to competition." He adds that IRCTC would do well to focus on the National Capital Region, rather than expand into other cities.

IRCTC also plans to step up bottled water production. At present, its Rail Neer brand of water is only sold on trains and at stations. Its three bottling plants are in Chennai, Patna and Nangloi in Delhi. A fourth is coming up in Maharashtra. Pradeep Kundu, Joint General Manager, Public Relations, says: "We plan to start six more plants in the next five years." ◆

WHERE THE MONEY COMES FROM
Percentage-wise breakdown of IRCTC's total income in 2011/12

Departmental catering is done wholly by IRCTC, while licensee catering involves other caterers and vendors.
Source: IRCTC Annual Reports

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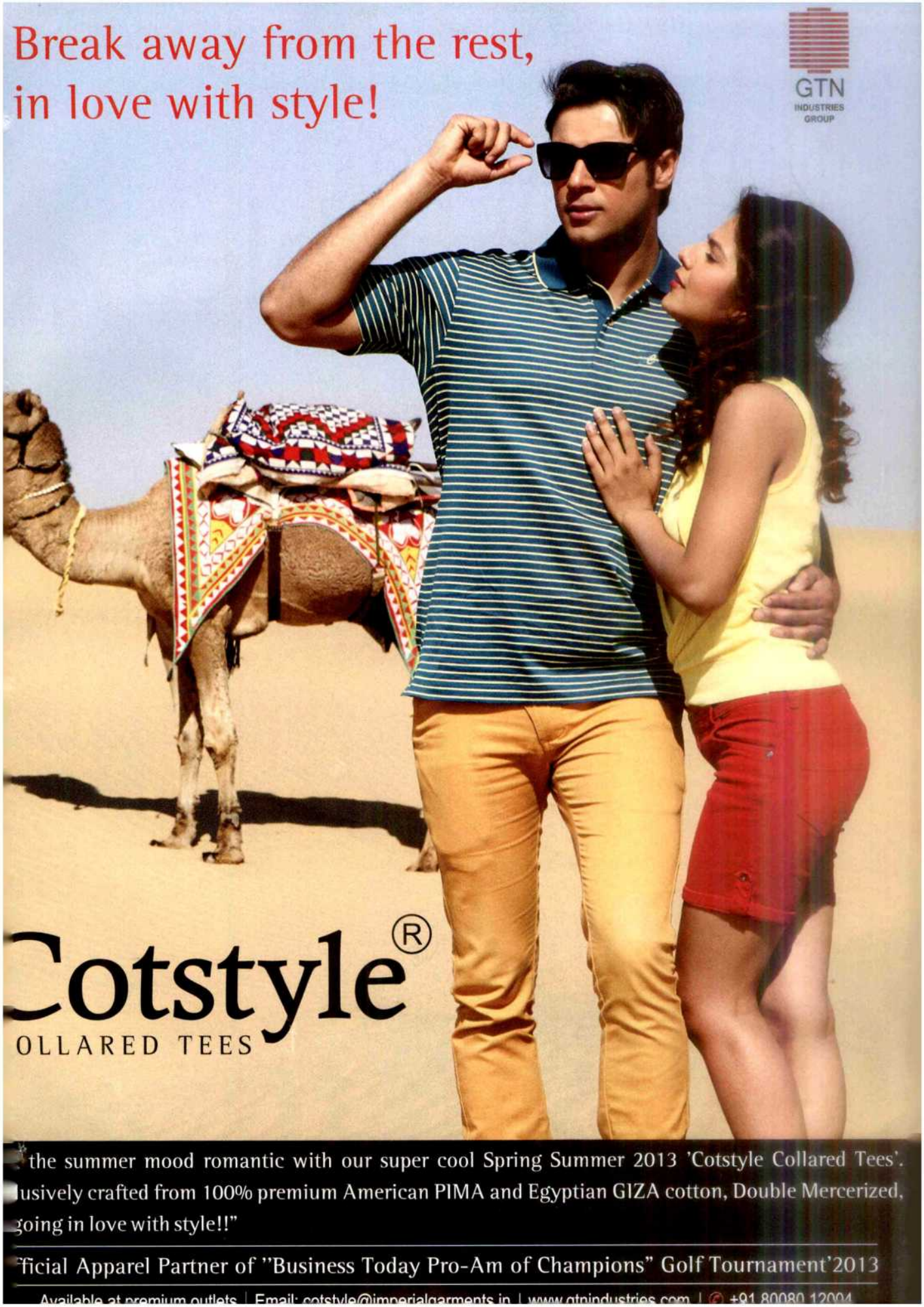
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Converting to Convertibles

Hybrids and convertibles are here, but they may prove too costly for the Indian market.

By NANDAGOPAL RAJAN

If a good deal of the tech chatter in 2012 was about the slim and smart ultrabooks, in 2013 convertibles and hybrids are likely to capture hearts and minds. These are 'two-in-ones' – devices that can transform from tablet to notebook and vice-versa, enabling the user to take full advantage of the touch interface of the new Windows 8 operating system. Those wondering whether to buy either a tablet or a notebook may well opt for one of these devices which combine their conveniences.

"Tablet PCs are quickly becoming the primary consumption, and in some cases, content creation devices. Given the increasing demand from mobile professionals for devices which suit their on-the-go lifestyles, there is a need to create products which provide the portability of a tablet and the power of a laptop," says Shishir Singh, Director, Product Marketing, Dell India. "The new devices are built keeping in mind end-user expectations of a high quality computing experience, as well as the need for the device to fit into the existing technology infrastructure of organisations."

But will hybrids and

convertibles find a ready market? Companies like Dell and Microsoft hope these enterprise-ready devices will give them an advantage when firms start shifting work to tablets and other mobile devices. But Kiran Kumar, Senior Market Analyst – Client Devices, IDC India, does not think the market will suddenly shift to convertible personal computers. "The form factor has to offer compelling quality at affordable rates to drive end-user adoption," he says. "Currently, the market for devices priced at $1,000 (₹55,000) and above holds a shipment share of less than five per cent in India." Amit Goel, CEO of research firm Knowledgefaber, agrees adoption is likely to be initially sluggish. "Adoption will be primarily driven by enterprise mobility and BYOD adoption in a bid to make anytime, anywhere access to business data and information possible for our increasingly mobile workforce," he says. BYOD, or bring your own device, refers to the growing trend among companies to allow employees to access office data on personal devices.

Dell's Singh, however, disagrees, maintaining the price range offered will not be a hindrance, since customers primarily want products which will help them manage their time and work well. But even if these new devices do not sell in large numbers they are likely to be all over the market soon. IDC's Kumar expects many new launches around March-April. Acer has already released what may be one of the most affordable hybrids, priced at ₹46,000.

Actually, convertibles and hybrids are not a new concept. The first tablets, launched almost a decade back, were Windows convertibles. "It is just that the launch of Windows 8 has given this form a new lease of life," says Kumar.

Sunil Nayyar, Head, Sales, Sony India has no doubt that traditional desktops and laptops will continue to be the preferred choice of the masses. "The new devices will exist alongside the laptops, tablets and ultrabooks, also powered by the Windows 8 interface and having touch-enabled screens," he says. "But convertibles will widen the premium category."

ASUS, one of the pioneering companies in the convertible and hybrid segment, believes the new breed of devices will change the way people access the Internet, use apps and even make phone calls. Peter Chang, Regional Head – South Asia and Country Manager, ASUS India, sees the emergence of a 'super device' that will make device function differentiation obsolete. "The decline in cost and increase in computing power of devices are a signal to move to one, all-powerful, converged device," he says. But ASUS too is not betting only on the 'two-in-ones' – it recently released a Windows 8 touchscreen laptop priced below ₹40,000. Only Acer has cheaper touch laptops, which were slaunched in February.

HP India's Category Manager Anurag Gupta underlines the need for balance in the design of devices. "If the device is too small, processing power suffers. If it is too large, it becomes hard to use for mobile professionals," he says.

Saji Kumar, Director, Product Management, Acer India, agrees the market needs to become a bit more evolved before hybrids and convertibles gain mass acceptance. "Small and medium businesses and the education sector are also likely to be large growth segments for this particular form factor," he says.

Manufacturers are also banking on Windows 8 becoming a trigger for Indian corporate houses to introduce BYOD, and thus help the sale of the new devices. There are over a hundred designs of hybrids and convertibles in various stages of development, many of them aimed primarily at the enterprise segment.

But ultimately, despite all the attention they got, ultrabooks accounted for just four per cent of 11 million PCs sold in India in 2012, according to Knowledgefaber. So too, it estimates just a one per cent market share for convertibles and hybrids if their prices stay at their current level. ◆

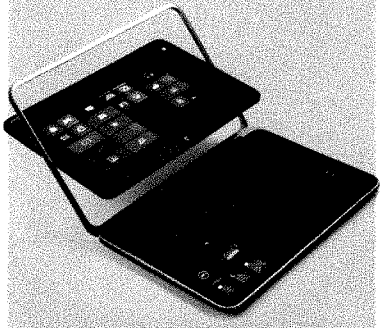
NEW KIDS ON THE BLOCK

HYBRIDS

Tablets with an extra keyboard, at times more battery power

PROS: Can be used like laptops, possess more ports and power than tablets

CONS: Underpowered, all run on Intel's Atom processors

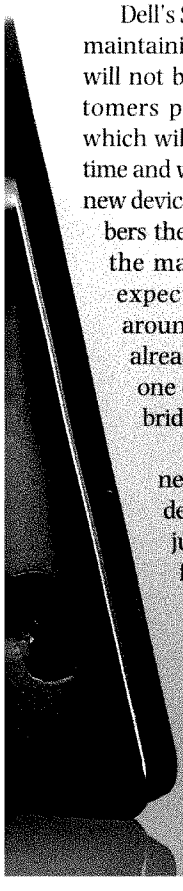


CONVERTIBLES

Ultrabooks that can transform into tablets and vice-versa

PROS: Can do most processing tasks, as good as any laptop

CONS: Heavy to use as tablets, expensive



SMA

EXECUTIVE SUMMARY:

For most of its 100-year existence, Oreo was America's best loved cookie, but today it is a global brand. Faced with stagnation in the domestic market, Kraft Foods moved it into emerging markets where it made some mistakes, learnt from them and ultimately triumphed. This case study looks at the strategies used to win over customers in China and India.

By STEPHEN CLEMENTS, TANVI JAIN, SHERENE JOSE, BENJAMIN KOELLMANN

On March 6, 2012, the famous cookie brand, Oreo, celebrated its 100th birthday. From humble beginnings in a Nabisco bakery in New York City, Oreo has grown to become the bestselling cookie brand of the 21st century generating $1.5 billion in global annual revenues. Currently owned by Kraft Foods Inc. Oreo is one of the company's dozen billion-dollar brands.

Until the mid-1990s, Oreo largely focused on the US market – as reflected in one of its popular advertising slogans from the 1980s, "America's Best Loved Cookie". But the dominant position in the US limited growth opportunities and

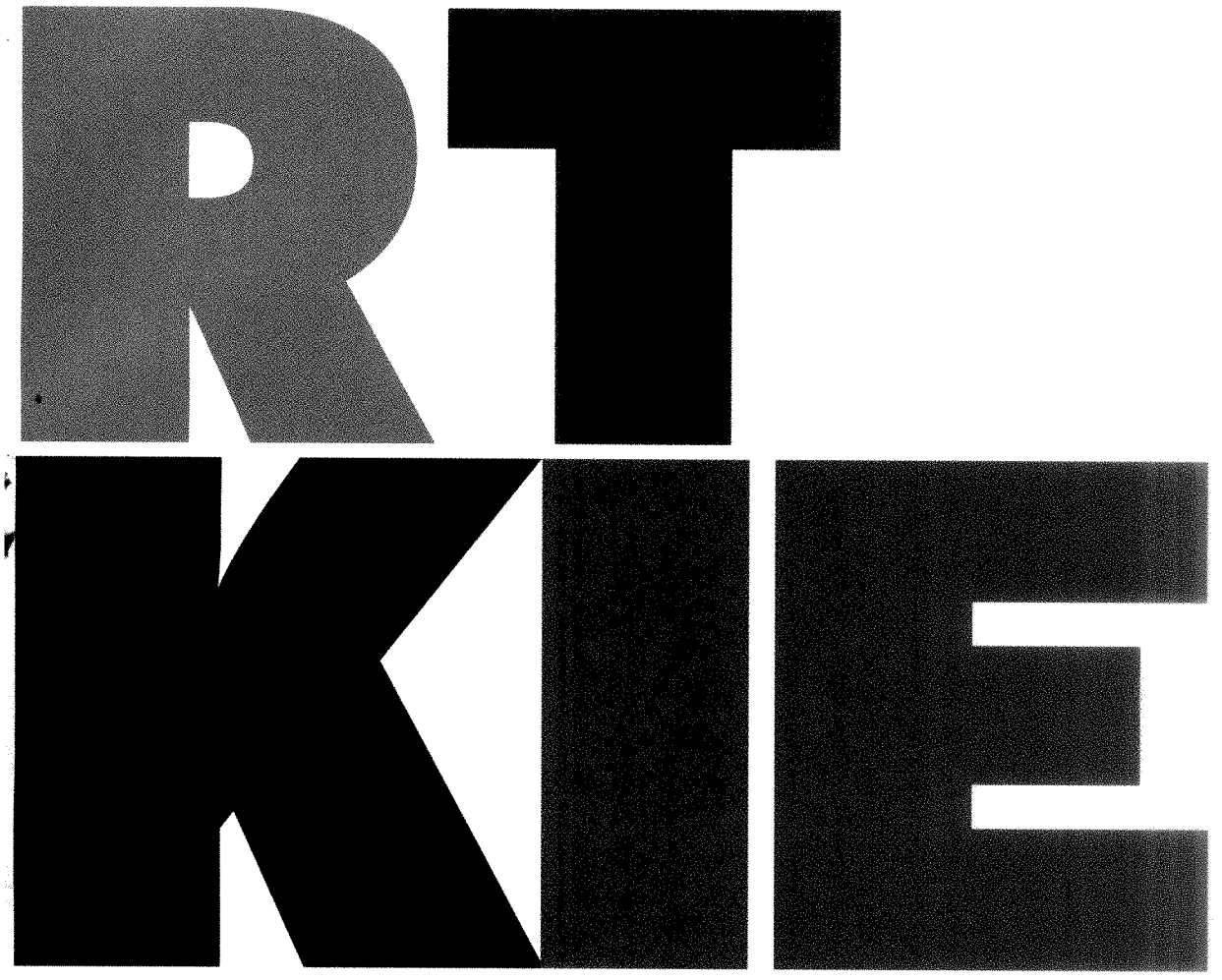


ILLUSTRATION BY SRISTI

spurred Kraft to turn to international markets. With China and India representing possibly the jewels in the crown of international target markets due to their sheer size, Oreo was launched in China in 1996.

The China launch was based on the implicit assumption that what made it successful in its home market would be a winning formula in any other market. However, after almost a decade in China, Oreo cookies were not a hit as anticipated, according to Lorna Davis, in charge of the global biscuit division at Kraft. And the team even considered pulling Oreo out of the Chinese market altogether.

In 2005, Kraft decided to research the Chinese market to understand why the Oreo cookie that was so successful in most countries had failed to resonate with the Chinese. Research showed the Chinese were not historically big cookie eaters. According to Davis, Chinese consumers liked the contrast of sweet and bitter but "they said it was a little bit too sweet and a little bit too bitter". Without the emotional attachment of American consumers who grew up with the cookie, the taste and shape could be quite alien. In addition, 72 cents for a pack of 14 Oreos was too expensive for the value-conscious Chinese.

Kraft's Chinese division used this information to formulate a modified recipe, making the cookie more chocolatey and the cream less cloying. Kraft developed 20 prototypes of reduced-sugar Oreos and tested them with Chinese consumers before arriving at a formula that tasted right. They also introduced different packages, including smaller packets for just 29 cents to cater to Chinese buying habits.

The changes had a positive impact on sales and prompted the company to ask some basic questions challenging the core attributes of the traditional Oreo cookie. Why does an Oreo have to be black and white? And why should an Oreo be round?

This line of questioning and an ambition to capture a greater share of the Chinese biscuit market led

BRANDS FACE AN EXISTENTIALIST DILEMMA

Initially, successful brands begin with a tight core brand proposition which is often unique at the level of the product or product features. Just as McDonald's was about hamburgers and Starbucks about coffee, Oreo was about its distinctive cookie. As time goes by, consumers change and the company needs growth. Sooner or later, the brand faces an existentialist dilemma. Staying faithful to the traditional proposition would lead to brand irrelevance, while expanding it too much would lead to brand incoherence.

Continued success requires the brand to redefine its core, finding in it a proposition that is still faithful to tradition, and yet encompasses modernity in a manner to keep the brand relevant, differentiated and credible. The rise of emerging markets with their different consumption patterns and greater diversity of income distribution questions the core proposition of many developed world brands. Just as McDonald's had to realise it was about clean, affordable fast food and not hamburgers, Oreo had to go through a candid self-exploration. The new Oreo brand proposition is richer and more elaborate while allowing for brand growth and innovation.

Similarly, Starbucks realised that when China was going to be its second home market, coffee was not essential to the core proposition. This required a change in the logo and the word 'coffee' was dropped from it. In China, more than coffee, people line up at Starbucks for cold refreshments. However, brands are like rubber bands and can only be stretched so far in the short run. In the long run, they can often be more flexible than their brand managers.

"The new Oreo brand proposition is richer and more elaborate while allowing for brand growth and innovation"

PROF NIRMALYA KUMAR, Professor of Marketing and Director of the Aditya Birla India Centre at London Business School

Kraft to remake the product in 2006 and introduce an Oreo that looked almost nothing like the original. The new Chinese Oreo consisted of four layers of crispy wafers filled with vanilla and chocolate cream, coated in chocolate. The local innovations continued and Oreo products in China today include Oreo green tea ice cream and Oreo Double-Fruit.

Another challenge for Kraft in China was introducing the typical twist, lick and dunk ritual used by American consumers to enjoy their Oreos. Americans traditionally twist open their Oreo cookies, lick the cream inside and then dunk it in milk. Such behaviour was considered a "strangely American habit", according to Davis. But the team noticed China's growing thirst for milk which Kraft tapped with a grassroots marketing campaign to tell Chinese consumers about the American tradition of pairing milk with cookies. A product tailored for the Chinese market and a campaign to market the American style of pairing Oreos with milk paid off and Oreos became the bestselling cookies of that country.

The lessons from the Chinese market have shaped the way Kraft has approached Oreo's launch in India. Oreo entered India through the import route and was initially priced at ₹50 (about $1) for a pack of 14. But sales were insignificant

partly because of limited availability and awareness, but also because they were prohibitively expensive for the value-conscious Indian masses. Learning from the Chinese success story, the company under global CEO Irene Rosenfeld took localisation strategies seriously from 2007 onwards. The $19.1-billion acquisition of Cadbury in 2009 provided Kraft the local foothold it needed in India.

Unlike the Chinese, Indians love their biscuits. Nielsen says India is the world's biggest market for biscuits with a market share of 22 per cent in volumes compared with 13 per cent in the US. While the lion's share of this market is for low-cost glucose biscuits led by Parle-G, premium creams account for a substantial chunk valued at around ₹5,500 crore ($1.1 billion). The way to the Indian consumer's stomach is through competitive pricing, high volumes and strong distribution, especially in rural areas.

Oreo developed a launch strategy around taking on existing market leaders in the cream segment – Britannia, Parle and ITC. Internally, they even have an acronym for this strategy – TLD (Take Leaders Down). The focus was to target the top 10 million households which account for 70 per cent of cream biscuit consumption. Oreo launched in India in March 2011. It entered the market

AVAILABILITY, AFFORDABILITY AND ADAPTABILITY ARE KEY

This is a good example of marketing excellence in three As in India: Availability, Affordability and Adaptability. The key to success in the Indian market is to pursue a balanced marketing effort in terms of the three As.

Availability is a function of distribution and value networks, which generates brand awareness when it goes along with well-devised advertising campaigns.

Affordable pricing is one of the strategic value propositions Kraft (Cadbury) is offering to valued consumers in India. Better or more-for-less is the mandate for the value proposition in this category. Arguably, where Oreo India made a difference in is the fact that it successfully overcame a real challenge each and every marketer faces to realise affordable pricing with profitability.

Excellence in adaptability to local culture also helped Oreo capture a share of mouths and minds. One of the key success factors for Oreo in India is replicating the learning from China in terms of the intangible brand promise more than tangible benefits like taste. The notion of togetherness fits the Indian context of valuing the family and resonates with the nuclear family in the expanding middle class. Togetherness has successfully created emotional bonding not only between the brand and consumers, but also between parents and children when they experience the brand through product consumption.

When Oreo enters smaller towns, it will be able to enjoy a sweet taste of the future as the case proves the existence of global or universal consumers in India.

"Affordable pricing is one of the strategic value propositions Kraft is offering valued customers in India"

HIROSHI OMATA,
CEO, Dentsu Marcom

as Cadbury Oreos because Cadbury is a stronger brand name than Kraft, and initially focused on generating awareness and rapid trials. The product was sweetened to suit the Indian palate and Kraft exploited Cadbury's network of 1.2 million stores.

The Made in India tag meant using locally-sourced ingredients, modification of the recipe to suit Indian tastes and possibly cheaper ingredients, a smaller size and competitive prices. Oreo launched its traditional chocolate cookie with vanilla cream at ₹5 for a pack of three to drive impulse purchases and trials, ₹10 for a pack of seven and ₹20 for a pack of 14 for heavy usage. The cookie looks the same as its international counterpart with a motif of 12 florets and 12 dashes.

The company maintained the heritage of the bitter chocolate cookie with sweet vanilla cream to stand out from me-too products and meet customer expectations of having the real thing. Kraft initially chose to outsource its manufacturing for the Indian market instead of using Cadbury factories.

Communication and advertising have been consistent across the world as the core customer remains the same. The company focused on using the togetherness concept to sell Oreos in India, with television forming the main medium of communication although other media are also being tapped. Oreo India's Facebook page is one of the fastest growing in the world. The company also went on a bus tour to push the concept of togetherness among families across nine cities and it used a smaller vehicle for a similar campaign across 450 small towns. Oreo is driving point-of-purchase sales with store displays and in-store promotions in a bid to overtake market leader Britannia Good Day's distribution.

The Made in India tag meant using locally-sourced ingredients and modification of the recipe to suit Indian tastes

With a strategy focused on rapid brand awareness and extensive distribution, the Oreo India launch story has been a success so far. Its market share has grown from a little over one per cent after its debut to a massive 30 per cent of the cream biscuit market. As awareness of the Oreo brand grows in India, Kraft is looking to shift from the Cadbury distribution network to a wider wholesale channel. It is also eyeing kirana stores and small towns apart from modern stores in big cities.

Today, Oreo is more than just an American brand. It is present in more than 100 countries, with China occupying the No. 2 slot. Seven years ago, this was highly improbable. ◆

(This case study is from the Aditya Birla India Centre of London Business School.)

What can we learn from Kraft Food's experiences in India and China? Write to btcasestudies@intoday.com or post your comments at www.businesstoday.in/casestudy-oreo. Your views will be published in our online edition. The best response will win a copy of ***Marketing as Strategy by Nirmalya Kumar****. Previous case studies are at www.businesstoday.in/casestudy.*

BEST OF THE LOT

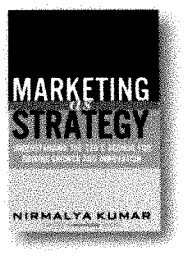
BT **receives scores of responses to its case studies. Below is the best one on Burberry in the Feb 3, 2013 issue**

Entrenched in the Digital World

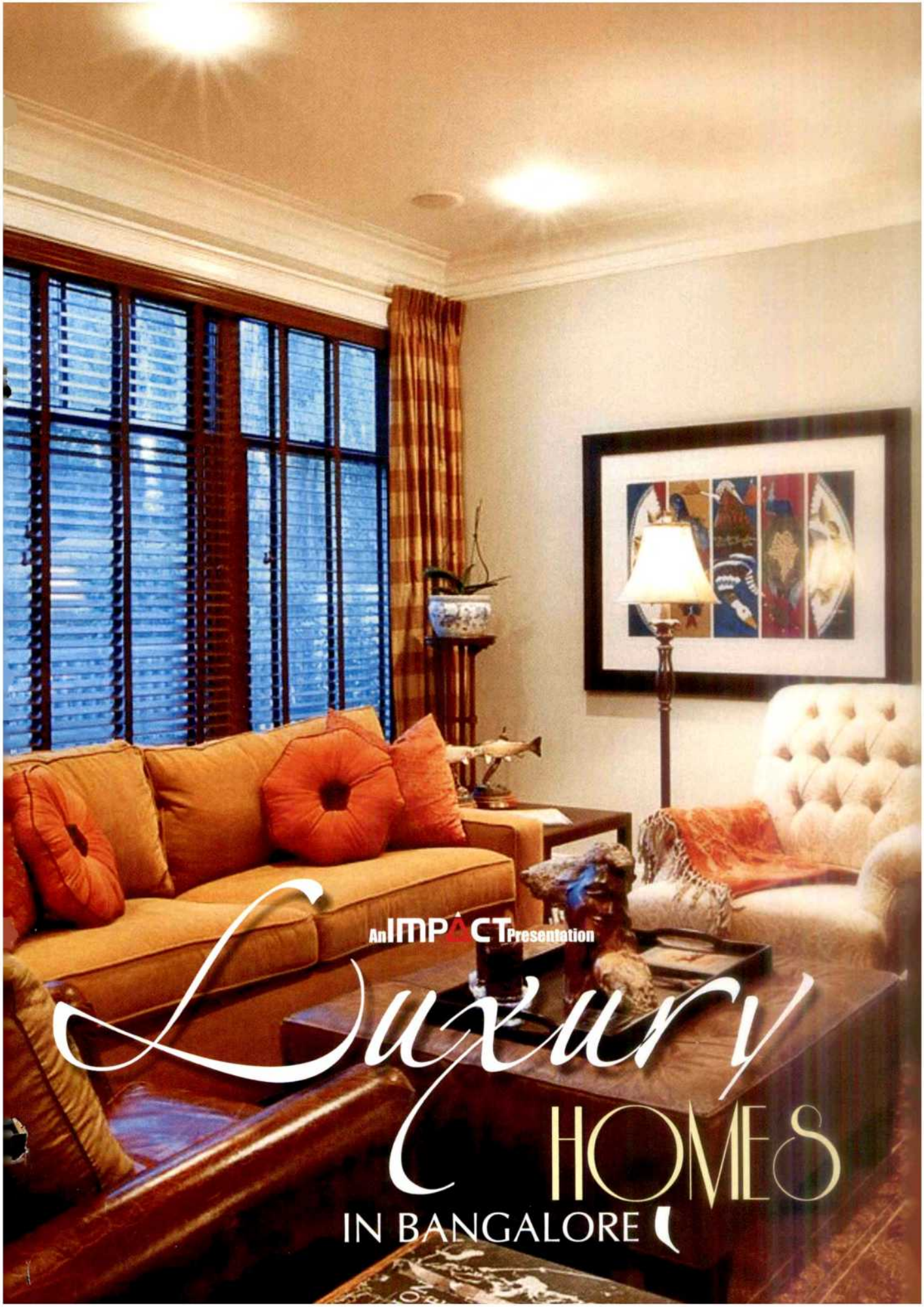
EXECUTIVE SUMMARY:

Ambarish Jambhorkar, AmbarishJambhorkar@torrentpharma.com

The way smartphone sales are going north - as per CBS news the world has one billion active users - and data use is overtaking voice revenue, social media marketing is the future for branding and advertising This means customer approach will be precise in STP (Segmentation, Targeting & Positioning). Also, as discussed in the HBR issue of July-Aug'12 (Tweet Me Friend Me Make Me Buy - Barbara Giamanco and Kent Gregoire) this is the time when the right use of social marketing management should be taught in business schools as a subject. I think Indian companies should start early and gain early.



Ambarish Jambhorkar wins a copy of Marketing as Strategy by Nirmalya Kumar


An IMPACT Presentation
Luxury
HOMES
IN BANGALORE

New DREAM SPOTS

According to reports, the demand for premium properties such as villas, apartments and condominiums is on the rise. If you are wondering why, then it is not without rational motives. It is also reported that the average age of Indians buying properties has come down and pundits in the real estate sector ascribe the rise in demand for premium properties to the high disposable incomes. And, above all, the demand is also due to the luxury, comfort and the excellent construction offered by these projects.

TRENDS

At a meet held recently, the panelists touched upon various issues pertaining to the real estate sector in India. It revolved around property market trends, realty funds, housing finance scenario, tax planning for real estate investment, marketing real estate among non-resident Indians and web marketing. The participants included builders, representatives of financial institutions, real estate agents and developers.

Some interesting details on why everyone aspires to invest in property emerged. It was also highlighted that for non-resident Indians (NRIs), who are keen on buying premium properties in India, the reason was not just an option to fulfill their desire to return to India at some point of their life but also it was a huge investment opportunity. Another interesting data was provided that is about the aspirations of property buyers. Around 30 per cent prefer luxury apartments, 20 per cent luxury villas, 15 per cent look for plots, while five per cent prefer farm houses. The desire of the property buyers was to look at destinations outside their hometown for investment and a better sense of social position.

The first generation property buyers who feel it is the best sector for investment would go for luxury apartments or condominiums, which would predominantly explain the individual's status. While the second or third generation prefers to invest in luxury villas or resorts for his personal interest or as a vacation spot. It was interesting to note that about 20 per cent Indian buyers and five percent NRIs as well as expatriates look for luxury villas, condominiums and so on and their budget is above Rs. 2 crore.

Now, the obvious question is why buyers are looking at such premium properties. According to experts in the sector, the reasons are many. One of the many reasons is the luxury, luxury and more luxury offered to enhance one's lifestyle. And, the second is the quality of materials used at these projects. Builders offer high end and standard level finish materials and structures, and promote the projects using model units furnished for all to see the end product before the entire project is finished. This allows the investor to have a clear glimpse at the finished product, and in some cases people come to trust the developer, and later on buy from the renderings even before the first block is set on the land.

The good quality construction includes quality wood cabinets, doors and closets, imported ceramic for floors and bathroom, excellent quality bathroom fixtures and so on.

AMENITIES

People who buy such properties would have earned their success all on their own and that makes them extremely discerning the way they wish to lead their life. Such premium projects offer a wide range of thoughtful features and amenities drawn from the best of lifestyle across the world. It may include private gardens, lift buttons at home, video surveillance, banquet or multipurpose hall, café, sports area, mini market and so on.

For a casual visitor to such projects, it may seem like any other housing project coming up in the vicinity. However, a closer look at the materials being used for construction, a walk in the model flat and a detailed

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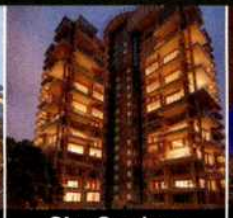
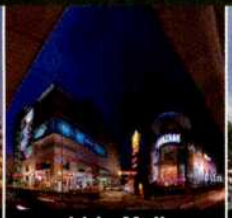
The Icon is located adjacent to Manyata Tech Park, Off Thanisandra Road, Bangalore.

Completed landmark projects in Bangalore

1 MG Road
MG Road


Sky Gardens
Richmond Town


Lido Mall
MG Road

Zen Gardens
Artillery Road

Rays of Light
Miller Cross Road

Spring Leaf
Brunton Cross Road

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A JOINT VENTURE WITH SRI M. R. SEETHARAM

discussion with officials, would establish that they will be unique in many aspects. It is also interesting to note these projects will be environment-friendly. As campuses, they will be equipped to grow their own water needs without dependence on the city water supply network, generate the power needed for the campus responsibly under strict green parameters; and also will be geared to take full responsibility for treating or responsibly disposing of all waste generated by dwellers. Many more values of conservation are designed to ensure that the community, together, secures the satisfaction of being environmentally responsible. The experience of builders in water management helps harness water resources at their projects. Their water strategy makes it easy for residents to conserve water. Campuses use methods like storage,

The increasing number of mega projects is a sign that the real estate sector is doing well and that the industry is poised for an exponential growth despite a few glitches. The long term, and visionary approach infrastructure creation by authorities is also fuelling the demand for premium properties. Hence, buying premium properties may just not be the most profitable option but a prudent one too.

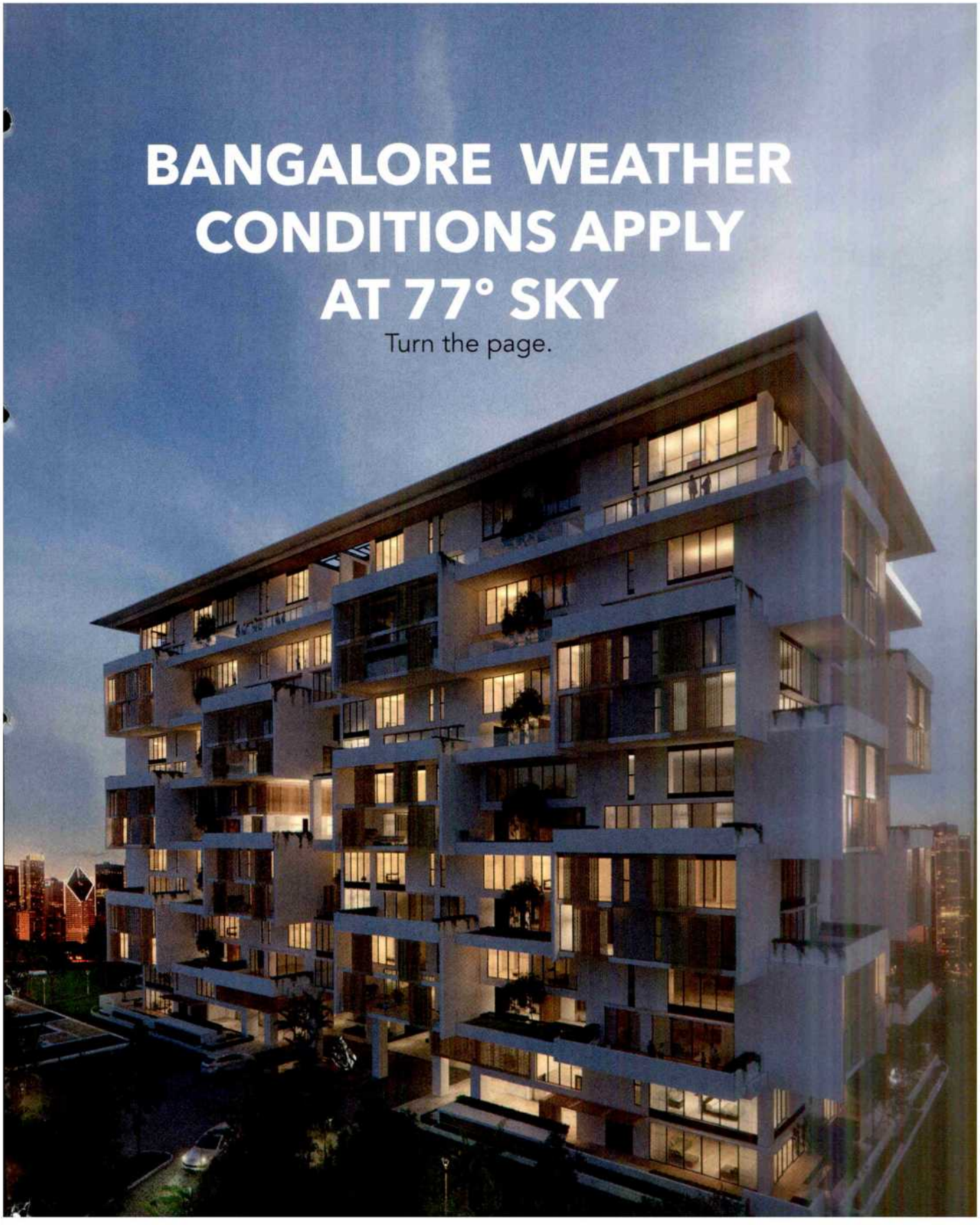
rainwater harvesting, recycling and avoiding wastage of water for harnessing water and making the campus sustainable. Besides, quality indoor environment is offered at these projects. This is simply done by avoiding the sick building syndrome. This occurs when the design of the building does not allow for cross ventilation, thereby creating a high level of Carbon dioxide to build up causing heating, health discomforts etc. This can be eliminated by having a good design approach with good ventilation. Builders use vernacular climatologically parameters in design. They use substantial indoor gardens or plants, courtyards, water pools etc., to reduce the temperature in the building. The campuses will also be energy efficient.

Solar water heaters are common feature. Solar lighting is also gaining popularity nowadays at least for external lighting. The use of appropriate and right eco-friendly materials to keep the house cool in summers and warm in winters thereby reducing electricity consumption is also the norm now. Good lighting can reduce the unnecessary use of lights during the daytime. Compact Fluorescent Lamps (CFL) which helps in energy conservation are also being used. All this is done by the builders, basically to reduce electric energy consumption.

Apart from the greenery that surrounds these projects, you will also be tempted ask what else is offered to double one's happiness. They may offer a hygienically run kitchen that prepares sumptuous delicacies for snacks, lunch and dinner. You might want your new home to have access to parks and other recreational places. Even if you don't play cricket, then perhaps you would be interested in playing some indoor games. Hence, at these projects, the recreational facilities include a full-fledged entertainment facility equipped with a home theatre, card table, snooker, library, gym, and facilities for indoor sports, like chess and carom, to keep you agile and fit both mentally and physically.

It is said that the keen sting of loneliness affects people who live in such projects and also, the elderly aspire someone to take care of their health needs. Hence, at such projects, the basic medical facilities are also provided. Caregivers will be around to accommodate regular health checks, basic first aid and emergency needs. A nursing room equipped with ambulance service, for more critical occasions, may come with the package. Builders may also have tie-ups with reputed healthcare facilities in the neighborhood to ensure preferential and priority treatment, in case of emergencies.

If you are the one that aspires quieter moments, there may be a convention hall and a yoga centre. On the other hand, if you seek to invite your friends and family to join in the fun times, such properties may also offer well-appointed guest rooms. The focus on infrastructure development by local authorities has also created the surge in demand for such premium properties. These projects or integrated townships based on work-live-play concept will have excellent approach roads. At some cities, plans are afoot to build ring roads with 180 km speed limit. The aim is to develop cities on all sides and spread the development to all corners.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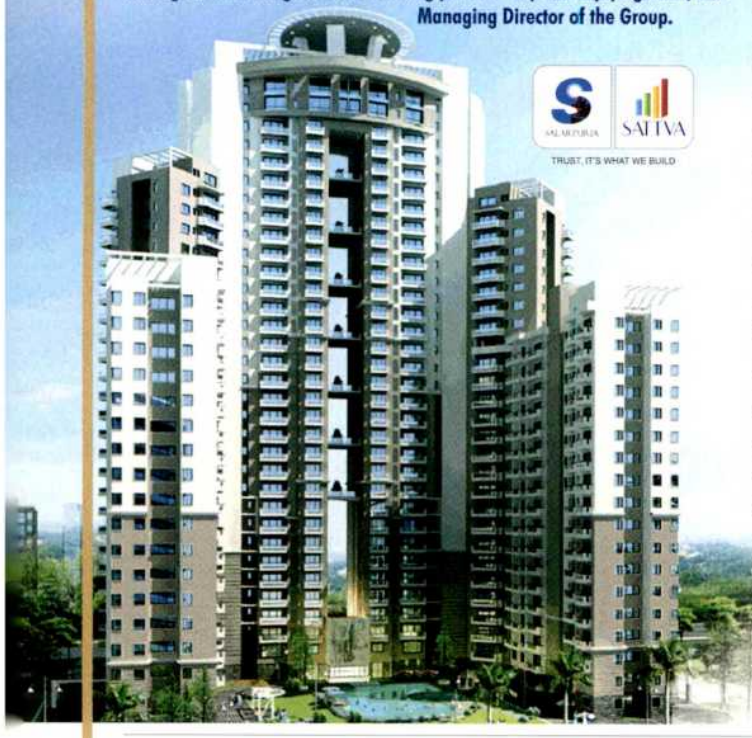

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Some of the luxury projects coming up in Bangalore are Luxuria, Magnificia and Gold Summit Salarpouria Sattva's Luxuria - A high end luxury apartment coming up on 8th Main, Malleshwaram, just adjacent to the Yeshwanthpur flyover and very close to the Sheraton Hotel. It has a smart corporate style glass elevation. These are spacious designer homes with 3, 4 Bedrooms and also Penthouses. The homes have privacy, ventilation, good lighting and all the modern amenities of a boutique class home.

Salarpuria sattva's Magnificia is another luxury apartment complex with a classy futuristic elevation, just 2 kms from upmarket Indiranagar on Old Madras Road, very close to the Big Bazaar and the Metro station at Byapanahalli. It connects quickly to the Ring Road and to the Airport. The location is very up-market and the investment promises great appreciation value. Salarpuria Sattva's Gold Summit is the tallest in Bangalore, with 33 floors and has only 3 bedroom spacious apartments with plenty of privacy and a view that beats any other in Bangalore. It is coming up close to the Manyata Tech Park on Hennur Main Road.

G CORP GROUP: THE DEVELOPERS OF FUTURE INDIA

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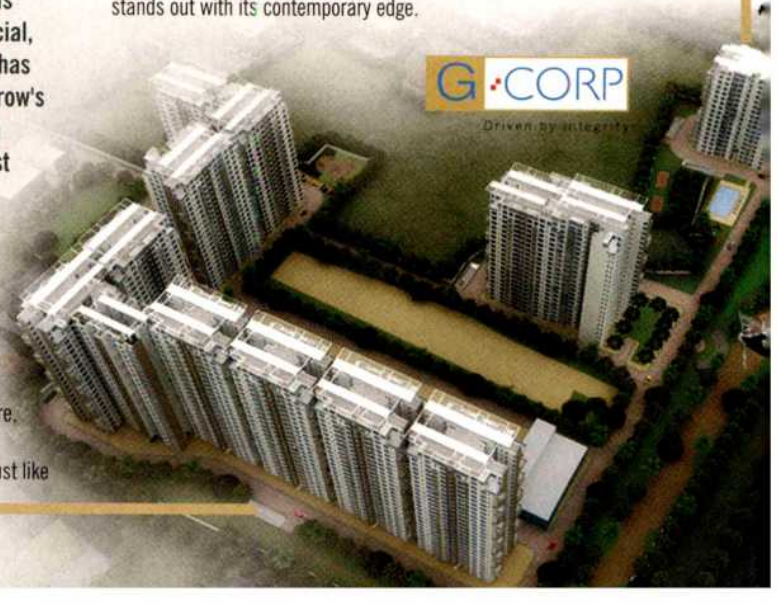

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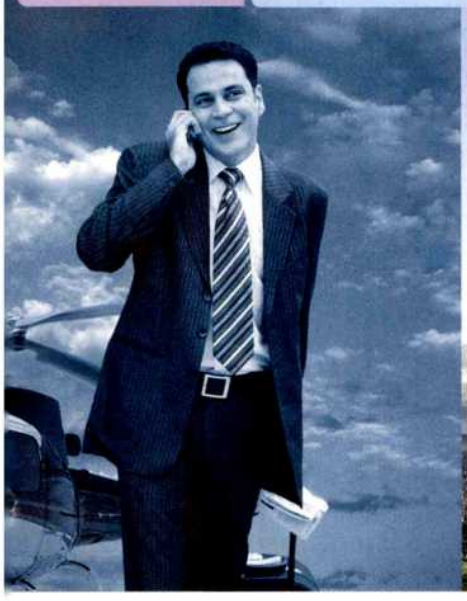

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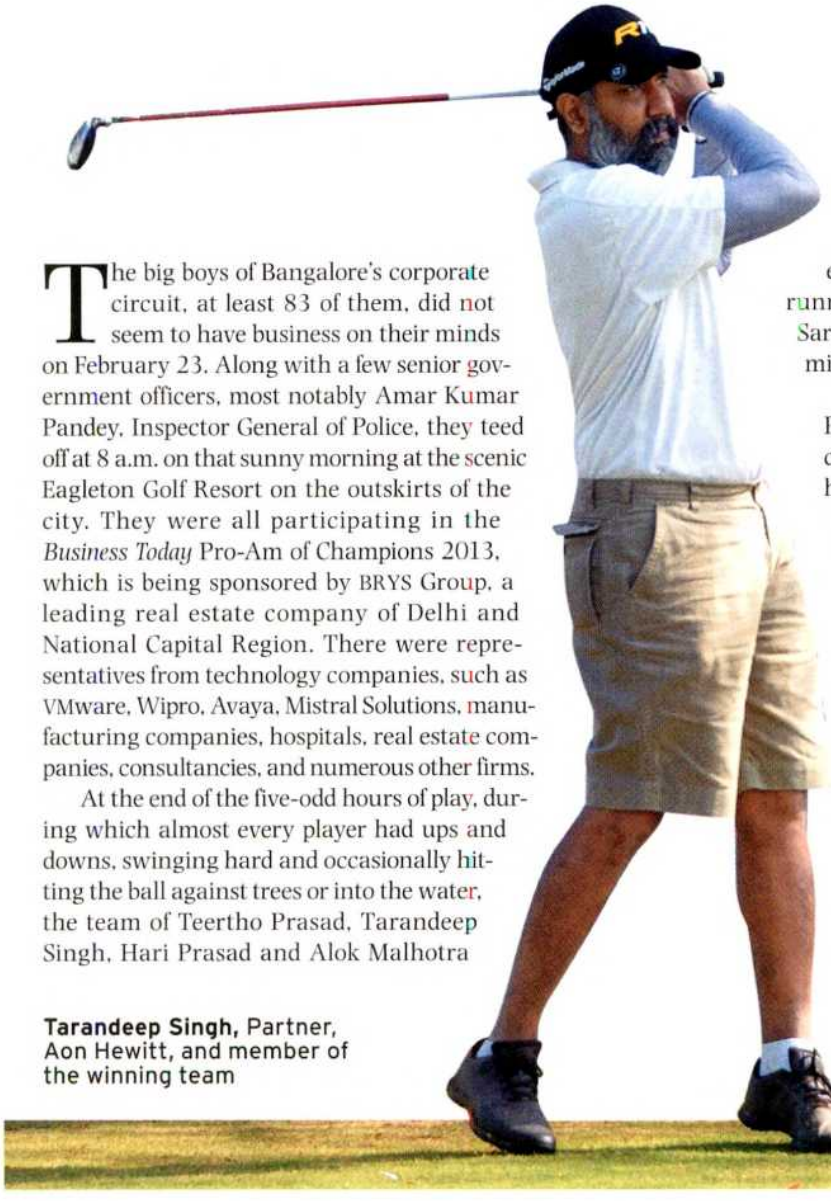
PRO-AM OF CHAMPIONS 2013

Swinging Time

Top corporate honchos putted hard at the *BT* golf event in Bangalore.

By GOUTAM DAS



Tarandeep Singh, Partner, Aon Hewitt, and member of the winning team

The big boys of Bangalore's corporate circuit, at least 83 of them, did not seem to have business on their minds on February 23. Along with a few senior government officers, most notably Amar Kumar Pandey, Inspector General of Police, they teed off at 8 a.m. on that sunny morning at the scenic Eagleton Golf Resort on the outskirts of the city. They were all participating in the *Business Today* Pro-Am of Champions 2013, which is being sponsored by BRYS Group, a leading real estate company of Delhi and National Capital Region. There were representatives from technology companies, such as VMware, Wipro, Avaya, Mistral Solutions, manufacturing companies, hospitals, real estate companies, consultancies, and numerous other firms.

At the end of the five-odd hours of play, during which almost every player had ups and downs, swinging hard and occasionally hitting the ball against trees or into the water, the team of Teertho Prasad, Tarandeep Singh, Hari Prasad and Alok Malhotra emerged victorious with 106 points. The runners-up team of David D'Souza, Rajeev Sarda, Anwar Shaikh and Pandey narrowly missed the top slot, scoring 105 points.

Winning team member Singh, Partner at human resources consulting company Aon Hewitt, had not been hopeful of winning at the start. "I am making a mess of the shots," he said, after a mistimed swing earlier in the day. But he obviously got better later. D'Souza, from the runners up team, Managing Director of Garden City Fashions, a textile export company, and a frequent participant at *BT* golf events, was, in contrast, relaxed. "I had one 'double-bogey', two 'bogies' and four 'birdies'," he said. In golf, a bogey is a score above par, while a birdie implies scoring under par. A par is the number of strokes a golfer needs to complete a hole, which is typically predetermined. "For me, the best thing was getting out of town to play here. It is important to participate," he added.

The winning team received a

Winning team: (From left) Teertho Prasad, Hari Prasad and (extreme right) Alok Malhotra with Gagan Sharma (third from left) of Air Mauritius

Runners-up: (From left) Anwar Shaikh, Rajeev Sarda and (extreme right) David D'Souza with Sivadas of Constance Hotels and Resorts (third from left)

Individual winner: Ranvir Bhandari (left), VP, South, ITC Hotels, and GM, ITC Gardenia, with 0-10 handicap category winner Ajoy Kumar

trophy, Victorinox travel bags, a holiday package at Hotel BRYS Fort, Jaisalmer and bar accessories.

Among the individual winners were B.N. Puttaraj, who won in the 19-24 handicap category, Darshan L., who topped the 11-18 category and Ajoy Kumar, who led the points table in the 0-10 group. All the winners are now looking forward to the national Pro-Am finals to be held in Delhi.

"I did well because I took time off for three days to practice. I was able to hit the regulation shots with ease," said Darshan, an insurance and property consultant.

Besides the winners, there were a number of other participants too whose game impressed, including T. Srinivasan, Managing Director, India and SAARC, of technology company VMware; Anees Ahmed, CEO of Mistral Solutions; T.V. Mohan, Country Head of Colfax Fluid Handling; and U.R. Acharya, Vice President at Shell Networks. "The game was very satisfying for me. I did 13 bogies and had a couple of pars. I play golf once a week and these are good results for me. I like playing at Eagleton since the course here is reasonably forgiving. It has large fairways," said Srinivasan at the end of play. Fairways are areas where the grass is even and thereby easy to play on.

Elusive prize: None could win the hole-in-one prize of ₹1 crore off a BRYS BUZZ villa

All the participants tried their hand at the 169 yards 'hole-in-one', where they had to hit the ball directly into the hole in one stroke. It had the biggest prize of the day, ₹1 crore off a BRYS BUZZ designer villa in Noida. Sadly, there were no winners, though many shots came close.

Besides BRYS Group, the main sponsor, other sponsors include ITC Hotels, Constance Hotels and Resorts, Air Mauritius, Cotstyle, and TGS. Neo Sports is the event's TV partner and *Golf Digest* the official magazine partner. ◆

SHUFFLING FUNDS
PERIODIC REBALANCING BETWEEN EQUITY AND DEBT IS AS IMPORTANT AS CREATING A GOOD PORTFOLIO IN A CHANGING MARKET

Greed vs Fear in Investing

The right kind of mutual fund portfolio combines stability with limited risk.

By DIPAK MONDAL

SANTOSH

Since mutual funds are run by professionals, they are considered safe for those who do not have the time or the knowledge or both to invest in shares and bonds. However, building a good mutual fund portfolio requires planning. Though the ideal portfolio can vary depending on each individual's risk-taking ability and age, investors should keep some broad points in mind.

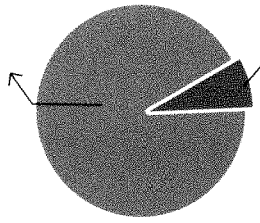
A mutual fund portfolio should be divided into two parts – core, for stability, and satellite, for investments that have great potential but are risky. This not only reduces volatility, but also lowers the tax burden. "The premise of the core and satellite portfolio strategy is to minimise transaction costs and tax liabilities and manage volatility while looking for opportunities to out-perform the market," says Shilpi Johri, Head, Arthashastra Consulting.

The core, as the name suggests, is at the backbone and must comprise 70 to 90 per cent of the portfolio. Its aim is to give stability and decent returns. Globally, index funds or passively-managed funds are the first choice for the core. An index fund replicates a benchmark index both in portfolio composition and returns. The fund manager has no say in stock selection, which eliminates the risk of wrong judgement. The fund management costs, too, are low. Because they invest in multiple stocks, index funds are well-diversified.

In India, actively-managed funds have consistently beaten benchmark indexes over the years and are likely to continue doing so. Therefore, actively managed large-cap funds can be part of the core. These funds invest in large companies and are usually less volatile than mid- and small-cap funds. The portfolio core, if it comprises such funds, will not show any sharp drop or jump in value. "Considering that in India actively-managed funds have outperformed passive funds, which is contrary to global trends, the core should ideally be built around a combination of index and large-cap funds that have a good track record and stable fund management teams," says Vishal Dhawan, Founder and Chief Financial

65% is the minimum equity exposure a mutual fund must have to qualify for tax benefits obtained from investing in equity

70% to 90%
Core Portfolio
should have index funds, actively managed large-cap funds, balanced funds, fixed maturity plans, gold



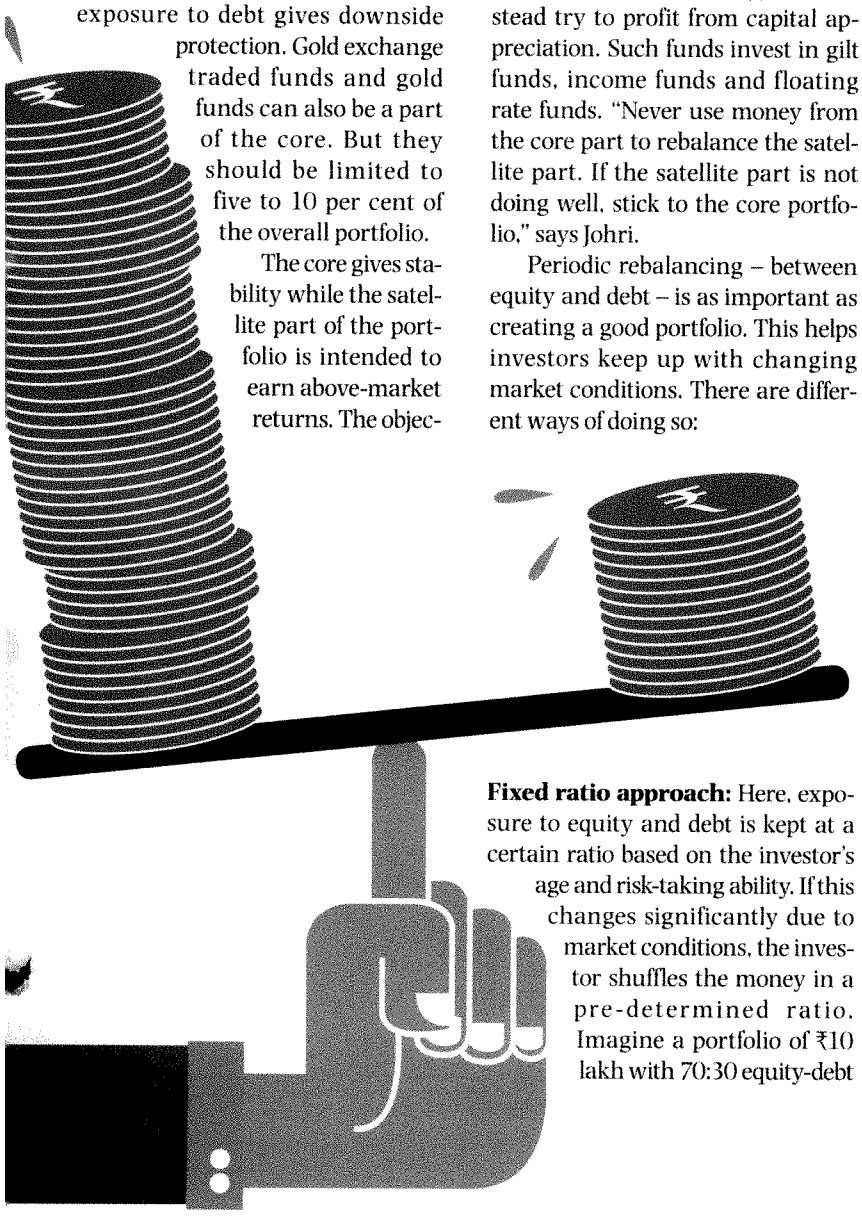
10% to 30%
Satellite Portfolio
should have mid- and small-cap funds, sector and thematic funds, global funds, income funds, gilt funds

Planner at Plan Ahead Wealth Advisors.

Equity-oriented hybrid funds can also be part of the core. These have over 65 per cent exposure to equities and 15 to 35 per cent to bonds. Since the allocation to equities is higher, the returns are in line with those from equity funds. Plus, exposure to debt gives downside protection. Gold exchange traded funds and gold funds can also be a part of the core. But they should be limited to five to 10 per cent of the overall portfolio.

The core gives stability while the satellite part of the portfolio is intended to earn above-market returns. The objective is to generate high returns through aggressive products such as mid- and small-cap funds, sector funds, thematic funds and international funds. Duration-based debt funds, which take active interest-rate bets, can also be a part of the satellite portfolio. These do not follow the hold-to-maturity strategy and instead try to profit from capital appreciation. Such funds invest in gilt funds, income funds and floating rate funds. "Never use money from the core part to rebalance the satellite part. If the satellite part is not doing well, stick to the core portfolio," says Johri.

Periodic rebalancing – between equity and debt – is as important as creating a good portfolio. This helps investors keep up with changing market conditions. There are different ways of doing so:



Fixed ratio approach: Here, exposure to equity and debt is kept at a certain ratio based on the investor's age and risk-taking ability. If this changes significantly due to market conditions, the investor shuffles the money in a pre-determined ratio. Imagine a portfolio of ₹10 lakh with 70:30 equity-debt ratio. After a year, the equity portfolio rises by, say, 12 per cent to ₹7.84 lakh, while the value of debt goes up by seven per cent to ₹3.21 lakh. Clearly, the 70:30 ratio has been altered. It can be balanced by selling stocks worth ₹10,500 and investing the money in debt.

Variable ratio approach: Here, if the value of the stock portfolio changes significantly, the equity-debt ratio shifts to a new predetermined figure. If the equity-debt ratio was 1:1 at the beginning, and the equity portfolio rises by more than 10 per cent, the investor can sell a part of the equity holding and invest it in debt to bring the ratio to, say, 4:6. Suppose a portfolio of ₹20 lakh is perfectly balanced between equity and debt. After some time, the equity portfolio rises to ₹11 lakh and the debt portfolio to ₹10.6 lakh. To bring the equity-debt ratio to 4:6, the investor can sell stocks worth ₹2.36 lakh and invest the proceeds in debt. This approach requires much greater understanding of future equity market movements.

Constant rupee value approach: Here, the value of the stock portfolio is kept constant, investing any appreciation in value in debt, or vice versa. For example, if the equity portfolio is valued at ₹10 lakh and it rises 10 per cent to ₹11 lakh, shares worth ₹1 lakh can be sold and the money invested in debt. Similarly, if the portfolio value falls to ₹9 lakh, you sell ₹1 lakh worth of debt and invest in equities to keep the value of the stock portfolio at ₹10 lakh. ◆

Courtesy: *Money Today*

ENERGY MANAGEMENT

HARNESSING THE FORGOTTEN FUEL

Most large countries have a single ministry handling energy issues. India has seven. The result of this plurality is there is no central approach to securing energy resources or technology from overseas. It often results in one of two things - needless duplication, or missed opportunities, particularly when dealing with fleet-footed countries like China.

India's fragile energy security is under severe pressure from its rising dependence on imported oil, regulatory uncertainty and opaque natural gas pricing policies, small pool of skilled manpower and poorly developed upstream infrastructure and dependence on fossil fuels as the dominant source of energy in the near future. Coal, oil and natural gas are the most important sources of primary energy in India. Inadequate domestic supplies of these hydrocarbons are forcing the country to increase its import bill.

The supply of natural gas as well, which was expected to alleviate our energy security from the new domestic fields, remains well below projections. Of late, driven by accelerated capacity addition in power generation and decline in domestic coal production, India's imports of coal have risen. To address the energy management issues in Industrial, commercial and consumer level, the Government may be doing a rudimentary job by deputing auditors for doing energy audits in the Industrial and commercial levels which may be a routine job just to pass the norm. The real essence of Energy Efficiency may be lost in the due process. On one hand we see severe waste of energy an on other hand we have seen many cities going out of power for 12 hours. Ultimately, India's energy security challenges are internal - there are serious challenges in "energy governance", pricing of resources and power tariffs are distorted, which means that power projects dependent on imported coal are finding it impossible to go on stream.

By simply identifying the top 20% energy users contributing to over 80% of total energy usage and by taming the 80% energy usage at each such customer, within a span of 1 or 2 years, India would be able to bring 64% of its total energy usage under the lens of observation and control. Such demarcation of customers could be easily done by setting up a threshold say for example 200 KVA CD for Industry, Commercial, Government and Agro users. This will also help is building a sufficient repository of data for analyzing the energy usage and for engaging in utility led DSM programmes.

The energy use of India can be easily mapped to the prevalent socio economic spread of India where in 20% of the users can be identified as contributing to 80% of the energy usage. And hidden in this understanding lies the answer to India' energy problems. By simply identifying the top 20% energy users contributing to over 80% of total energy usage and by taming the 80% energy usage at each such customer, within a span of 1 or 2 years; India would be able to bring 64% of its total energy usage under the lens of observation and control.

Today, every customer in India explores his own formula for measuring and verifying energy savings. These formulae are debated for months and eventually every formula is faulted. No ESCO in India will ever grow in such an environment. Think of this for a moment, if the CO2 Emissions Standards for every car were to be set by every customer then we wonder what would be the fate of emission standards in the car Industry?

A very simple way to increase the message of energy efficiency and to increase participation of larger audience it is proposed that all govt. buildings and commercial buildings consuming energy above a certain threshold be brought under the umbrella of PAT (Perform Achieve & Trade). In fact setting up "energy usage standards" for commercial buildings would be far more easier compared to setting up energy usage goals for DC'. Based on normal estimates it can be expected that over 20 lac buildings in India could be brought under the PAT. In our view, PAT should be extended to 80 percentile contributor customers by energy usage under each ESCOM. With online monitoring mandated for them, targets can be set straight away. Then trading energy certificates is one of the incentives covering large population base. In extending PAT, the complicated procedure of audit, benchmarking etc should be dispensed with and replaced simply by public data of online monitoring. Drawing an analogy to telephone calls – what the user is interested in is to be able to speak to someone in a distant location. In doing so, if the user has to use an analog or a digital (or a wired or a wireless) land line phone,

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OUR SERVICES INCLUDE

AUDITS

Energy, Power Quality and Electrical Safety Audits by SGS enable clients to isolate problem areas and plug information gaps. Recommendations provided by SGS, facilitate the creation of a safe, sustainable and energy efficient ecosystem.

ENERGY SERVICE COMPANY (ESCO) PROJECT IMPLEMENTATION

SGS implements end-to-end energy saving recommendations through suitable systems installation at client sites. SGS facilitates the required finances as well as undertakes performance guarantee of the products/technologies.

SECTORAL STUDIES

Sectoral studies by SGS plug the information gaps in the energy market. Such studies have widespread impact, right from policy making by government to informed decision making by financiers for project evaluation.

TRAININGS

SGS undertakes, designs and implements training programmes to raise awareness among stakeholders and empowers them in the energy value chain, enabling them to carry out their roles effectively in building a more energy efficient India.

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WHEN YOU NEED TO BE SURE

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or a basic mobile phone or a smart phone, is not important to the user.

Given all the technology available at our finger tips and the ubiquitous access to information available today, we strive to answer the question about how we can facilitate the end result of reducing energy use while providing the best user experience possible today. In order to do this, we need to provide meaningful information at all levels – from the shop floor to the top floor – accompanied by actionable feedback, and, to the extent possible, automate whatever can be automated in terms of diagnostics and corrective actions. More importantly, effective energy management can provide useful information that can help business take the right decisions with an eye on maintaining business competitiveness. Our ability to provide reliable answers to these questions help us to become our customers trusted partner in energy management.

Laying Foundations for Energy Efficiency Revolution in India

ISO- the power of standardization

What? It is the International Organization for Standardization. ISO has a membership of some 160* national standards bodies from countries large and small, industrialized, developing and in transition, in all regions of the world. ISO's portfolio of over 18600 standards provides business, government and society with practical tools for all three dimensions of sustainable development : economic, environmental and social. ISO only develops standards for which there is a clear market requirement.

ISO 50001 -ISO 50001:2011, Energy management systems – Requirements with guidance for use, is a voluntary International Standard developed by ISO (International Organization for Standardization).ISO 50001 gives organizations the requirements for energy management systems (EnMS). ISO 50001 provides benefits for organizations large and small, in both public and private sectors, in manufacturing and services, in all regions of the world. ISO 50001 will establish a framework for industrial plants ; commercial, institutional, and governmental facilities ; and entire organizations to manage energy.

Who is it for? Like all ISO management system standards, ISO 50001 has been designed for implementation by any organization, whatever its size or activities, whether in public or private sectors, regardless of its geographical location. ISO 50001 does not fix targets for improving energy performance. This is up to the user organization, or to regulatory authorities. This means than any organization, regardless of its current mastery of energy management, can implement ISO 50001 to establish a baseline and then improve on this at a rhythm appropriate to its context and capacities.

Who to certify? Like all ISO management system standards, ISO 50001 can be implemented solely for the internal and external benefits it provides the user organizations and the latter's stakeholders and customers. Certification by an independent auditor of conformity of the user's energy management system to ISO 50001 is not a requirement of the standard itself. To certify or not is a decision to be taken by the ISO 50001 user, unless imposed by regulation.

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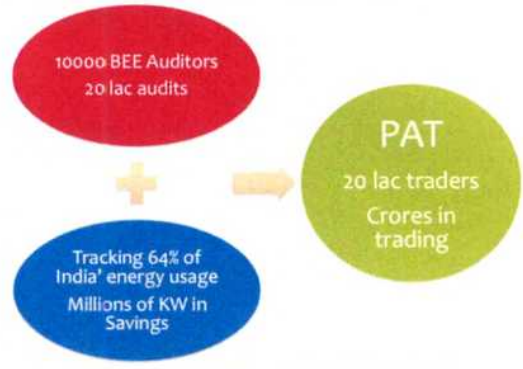
These days rightly the utility charges for energy per kvahr. For same KW energy the kvahr is inversely proportional to the power factor and thus the cost. The power factor was improved in many plants to 0.99 – 1.0 and it is targeted to achieve same in all plants. The utility is a gainer as they are able to maintain high power factor which is very conducive for optimum generation cost. The sanctioned load and actual maximum demand should not have much variance as extra sanctioned load results in more demand charges and higher commitment by the utility and country to power which unnecessarily increases the power requirement and as such very heavy investment. Lower sanctioned load would result in payment of penal charges to the utility and over stressing the grid un-necessarily. It is seen that during peak hours the demand and energy requirement are higher. Utilities have resorted to higher charges during peak hours thus forcing people to reduce consumption in peak hours and flattening of demand. This ultimately helps in reduction of power requirement for the state. It is mandatory to consume certain amount of power per KVA of sanctioned load otherwise you are charged for the same irrespective of the fact whether you consume or not. It would be appreciated that optimising demand has not only resulted in various advantages to us and utility but has also helped us save substantial cost due to MCG Clause.

This is of utmost importance and the involvement of top management per se would help in achieving the results of energy conservation by adopting a mission oriented approach and taking small measures like switching on and switching off of various lights, ACs, electronic equipments etc. to achieve energy conservation.



PAT the energy efficiency revolution in India

EXPERT SPEAK

DR. SATISH KUMAR
Energy Efficiency Ambassador, Schneider Electric

How important it is to address the energy management issues in Industrial, commercial and consumer level in Indian context?

In my opinion, it is absolutely vital for businesses to pay heed to energy management (safety, reliability, and efficiency) issues in the Indian context to enhance business competitiveness and minimise the risks of exposing themselves to severe fluctuations in energy prices. With the recent increase in the price of electricity and diesel, businesses such as industrial and commercial establishments paying higher electricity tariff and telecom and IT sector which rely heavily on diesel powered generators to provide business continuity will be significantly impacted. Due to the power situation in the country, residential customers and small business owners have also had to invest in systems such as UPS that provide electricity when the supply from the grid is interrupted.

How sensitive Indian companies (Industrial/commercial) are towards energy efficiency?

We have seen some mixed reactions to energy efficiency when we consider Indian companies. On the one hand, there are organizations in both the manufacturing and service sectors that are recognized worldwide for their efforts in energy efficiency. India's cement sector is one such example. On the other hand, there are several businesses that are yet to realize how the cost of energy can impact their operating costs and ultimately their competitiveness and profitability. The biggest challenge is that the organizations are skeptical about the claims of service providers regarding ROI and especially in their solution development and execution capabilities. Any measure or investment that has a payback period of more than three years is a no-go for majority of Indian businesses. The customers also needs to understand that requiring payback of less than three years is a major bottleneck for wider implementation of energy efficiency in India because the gift of energy efficiency does not stop after three years and also inevitably leads to better O&M practices for businesses. I would be willing to invest my entire savings if someone can guarantee a 33% ROI.

What is the Indian Government's role in promoting Energy Efficiency and the Energy Service Companies in India? Please comment if there is any gap in your expectations and your suggestions towards bridging the gap.

The Government of India has played a very important role as a regulator, facilitator and influencer to promote energy efficiency in India. The Ministry of Power's Bureau of Energy Efficiency (BEE) has been instrumental in implementing the Star Rating program for buildings and equipment such as air conditioners, transformers, refrigerators that have made the end customers aware about the importance of energy efficiency. The innovative and ambitious PAT (Performance, Achieve and Trade) mechanism, which provides a policy level support by helping to create a market mechanism that will provide a financial incentive for investing in energy efficiency measures. Some of the largest consumers of electricity in the country have been identified as designated consumers under PAT by BEE. They will be required to reduce their energy consumption below the custom benchmark arrived through a rigorous exercise. This is a good beginning though we have a long way to go before we can talk about the results of the PAT program.

How does Schneider help different companies reflect Energy Efficiency as a source of revenue in their cash flow statement?

We have an offer called as Resource Advisor that helps large customers to enter into long term energy contracts with the utilities. This is a very robust tool which can predict when the demand for energy would be highest (also known as peak demand) and also when the rates for electricity are likely to be highest or lowest. The customers can then source their energy, particularly electricity, from the most cost effective supplier. This can have a huge impact on the customer's operations- both in terms of availability and cost of power.

At what all areas Schneider Electric extends Energy Efficiency services?

Our offers today extend from the shop floor to the top floor in terms of providing visibility to how energy gets consumed in an enterprise, performing analytics that helps in translating data into recommendations and actions and to help the CXOs understand the sustainability impact of their business. We believe that Energy Management is an idea whose time has come because of the advancements in sensors, metering, and communication technologies, cloud-based storage and analytical support together with the domain expertise that Schneider Electric bring to the table in the buildings, industry, IT, and telecom sector.

Energy Audits Help to Increase Profitability by Improving Energy Efficiency

GENERATING, MEASURING & MANAGING ENERGY

ational Mission for Enhanced Energy Efficiency - for Industries

s a sequel to the Government of India's National Mission for Enhanced Energy fficiency (NMEEE)", the Bureau of Energy fficiency (BEE) has already announced an novative scheme called 'PAT' that stands r Perform, Achieve and Trade. The aim of AT is to improve energy efficiency in large dustries and facilitate certification of ergy savings that could be traded. The AT tradable certificates offer an incentive such industries to reconsider the energy fficiency projects. The Indian industry es the challenge of moving towards a eaner and more sustainable path of fficient & economical production to ecome globally competitive.

Advance Metering Technology Ltd (AMTL)

Advance Metering Technology Ltd. (AMTL) is an energy centric organization involved in Energy Generation through Renewable sources, Energy Measurement and Energy Management. We are focused towards ensuring a greener & clearner economy with a three pronged approach - generation of Power from Renewable sources, Manufacturing of world class Energy Monitoring Devices and Energy Audit Services.

AMTL Has multiple business verticals under its portfolio of products and services:

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EXPERT SPEAK

APEX LED: ENERGY SAVED IS ENERY EARNED

The scope for energy saving is very huge in both industrial and commercial sector. In lighting itself, with the onset of LED lighting technology the saving potential has increased manifold. According to a recent US DoE study the cumulative energy-savings potential from the predicted LED market penetration over the 2010-2030 study periods is 2700 TWh, a savings of $250 billion at today's energy prices or the equivalent of 1800 million metric tons of carbon. Undoubtedly energy saving is the need of the hour. Be it in lighting or HVAC or any other area. But the biggest challenge is to overcome the low level of awareness. Once you explain the potential in a convincing manner the willingness is readily displayed although financing it causes a major challenge. Energy saved is cost saved. APEX LED lighting can save anywhere between 50 to 75 % of energy for our customers. But considering the cost of the project it is highly difficult to comment whether the saving will directly reflect as positive cash flow during the RoI period. To conclude, APEX LED lighting systems, a division of A US Holidays Realty Pvt ltd is a manufacturer of energy efficient LED lighting. Our products ranges from bedroom lamps to high mast lighting and are made with at most quality and as per international standards. We differ in our technology by using low power 5 mm Lighting grade LED which reduces the dependency on heat syncs and drivers. APEX LED is accredited and empanelled with BEE as ESCO in 2013 under Grade 3.

- VINOD MENON, VP Director- Marketing APEX LED Lighting

KIRLOSKAR BROTHERS LIMITED: PUMPING INNOVATION

In every industry, there are pumps and pumps consumes major amount of electricity. Kirloskar Brothers Limited has set up a dedicated division to help customers to save energy on account of Pumps and Pumping Systems. Detailed audit of Pumps and Pumping Systems followed by detailed recommendations report and implementation of our recommendations by customer has helped them to reduce their electricity bills considerably in addition to trouble free operation and very low maintenance cost. Our experience has proved that payback period in majority of cases is around two years and the customers who have gone ahead and implemented our recommendations, have saved large amount of power in addition to saving of precious water. Our Lowest Life Cycle Cost Series pumps help the user / customer to save energy on sustainable basis for a long period of time, which is very important from our point of view. This has directly resulted in to the reduction of the power bill which goes in to the bottom line of the customer's profit and loss statement. Customers can take the advantage of CDM benefits too and contribute to save our Mother Earth and be Environment friendly. In nut shell, end user is benefitted in terms of CDM benefits.

- GAJANAN SAHASRABUDHE, Divisional Manager Head – Energy Conservation Business Kirloskar Brothers Limited

GIBSS: HARNESSING GEOTHERMAL ENERGY

Industrial and Commercial sectors consume over 66% of the total energy consumed in India. Supply-side solutions to meet such large scale demand are both technically and commercially unviable. Innovative technologies such as geothermal air-conditioning can reduce energy consumption in buildings by 50-60% and must form the precursor to supply-side solutions, thereby paving a path towards net zero energy. GIBSS, a zero net energy building systems company, helps businesses reduce costs and raise productivity through compelling "triple bottom line" energy efficiency products and solutions in their buildings. GIBSS portfolio of Geothermal cooling systems, Hot water co-generation systems, lighting and Indoor air quality systems reduces operating costs in buildings by 60-80%. GIBSS innovative geothermal air-conditioning, hot water co-generation and LED/Induction lighting systems reduce energy consumption in buildings by 50-60% to generate positive cash flow.

- RAMDAS SHENOY, VP-Marketing and Business Excellence, GIBSS

AMTL: DRIVING INNOVATION & LIFE

Advance Metering Technology Limited (AMTL), is an energy centric company with a well nurtured vision of green energy Generation, Measurement and Management of energy used by Industrial and commercial users. We, as an IPP, are generating the energy by wind and selling it to state government. Also we are manufacturing the world class energy meters and having well developed RandD division for development of metering technologies. Beside these, we believe in utilisation of every bit of energy judiciously, therefore we are having a bouquet of energy efficiency experts from various domains. These well qualified and experienced Energy efficiency experts are performing the energy audits in various industries and commercial buildings for enhancement of productivity and profitability through energy efficiency route. The corporate and private sector organisations are in regular demand of our energy consultants. Few of our officials are delivering the training programs about the technical knowhow and energy saving opportunities to various Govt. / Corporate officials and working professionals on shop floor. These trainings further add up the energy efficiency enhancement in their domain by customising their processes. We had worked as ESCOs also, for various organisations by way of implementing the recommendations made by our subject matter experts.

- YOGESH CHANDRA GUPTA, AVP - Energy Audit,
Advance Metering Technology Limited

Don't be surprised by this world squandering away energy. Our planet is ruled by a neuron controlled sophisticated technology called a "human being" with a miserable energy efficiency of about 12%, consuming the most expensive energy: food! Any power plant does better at 40% on diesel oil. We are an old fashioned design that has not changed for the last 100,000 years except for a reduction in technical losses by radiation and convection through fancy clothing.

Project coordinator: **ANINDA MONDAL.**
For Industry participation in the next issue of BT: Energy Management Report in May 2013; please email: **aninda.mondal@intoday.com**; ph: **0120-4807100** ext: **4332**

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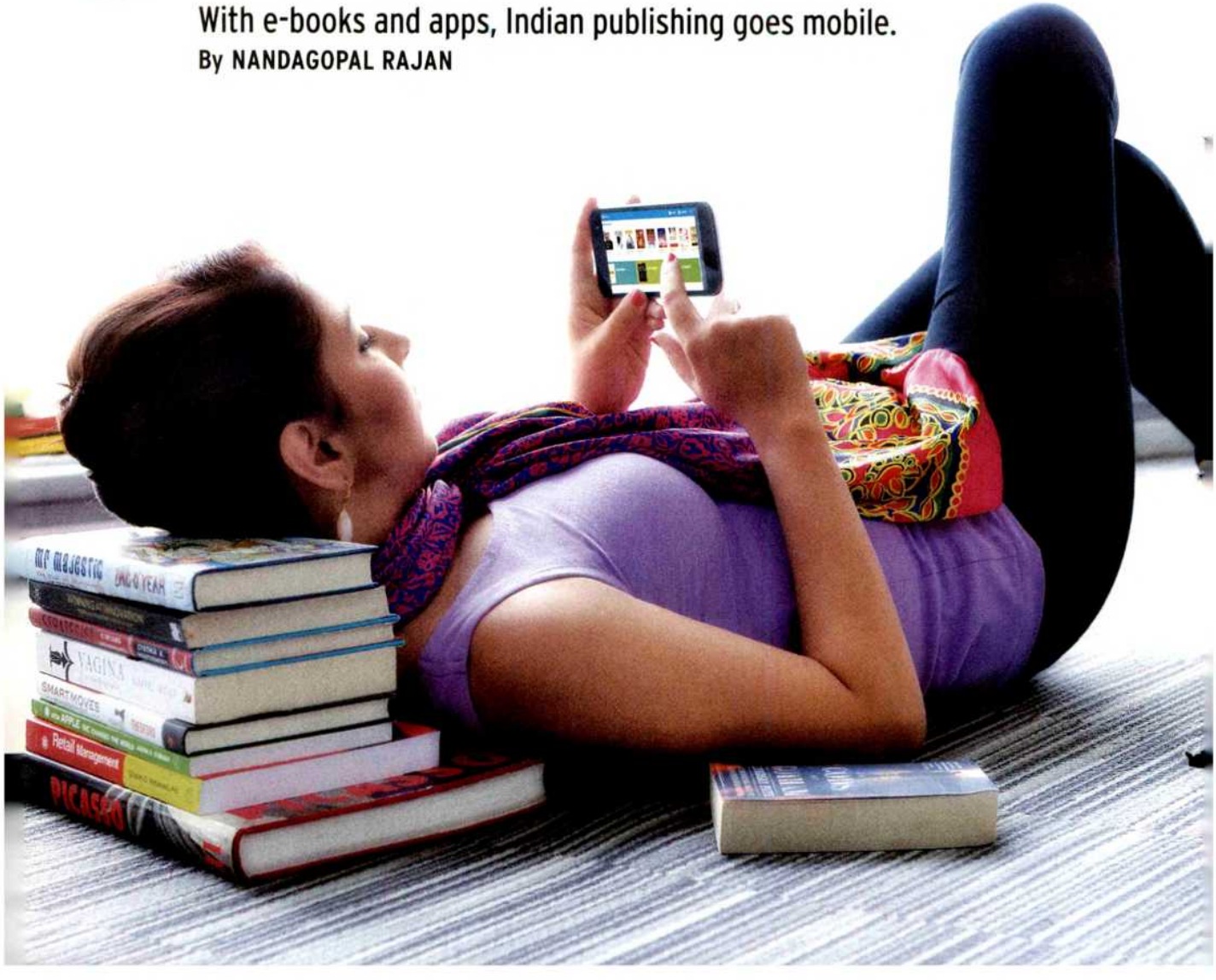
LAST BUT NOT LEAST

BOOKS 144 CAREERS 145 PEOPLEBUSINESS 154

5 *Point Someone* on a 5-inch Phone

With e-books and apps, Indian publishing goes mobile.

By NANDAGOPAL RAJAN



CALCUTTA UNIVERSITY
CENTRAL LIBRARY

INDIAN BESTSELLERS

When Shanti Dominic and Naheed Hassan, two globe-trotting women of South Asian origin, decided to step into the world of publishing last year, the writing on the wall was clear to them. The future of books was electronic and, more specifically, it was in mobile devices.

They set up Indirom, an e-publishing company offering English novellas written specifically for tablets, e-readers or smartphones. All their stories written by and for South Asians are at a mobile-friendly length of under 20,000 words. "We felt shorter books are better suited to the e-book experience," says Hassan, Co-founder of the South Africa-based company. "With our e-book-centred strategy, our books are written keeping the medium in mind, and are meant to be short-reading experiences that can be optimally enjoyed on mobile devices."

For many book lovers, ditching the romance of paper for the convenience of e-books is not easy. But several electronic publishers such as Indirom are hoping to tap the millions of Indians who spend most of their waking day on their mobile devices and just do not have the time to curl up with a real book. The bulk of India's books are still sold through brick-and-mortar outlets, but with e-books becoming increasingly popular, many publishers and online book retailers are developing special apps for e-books.

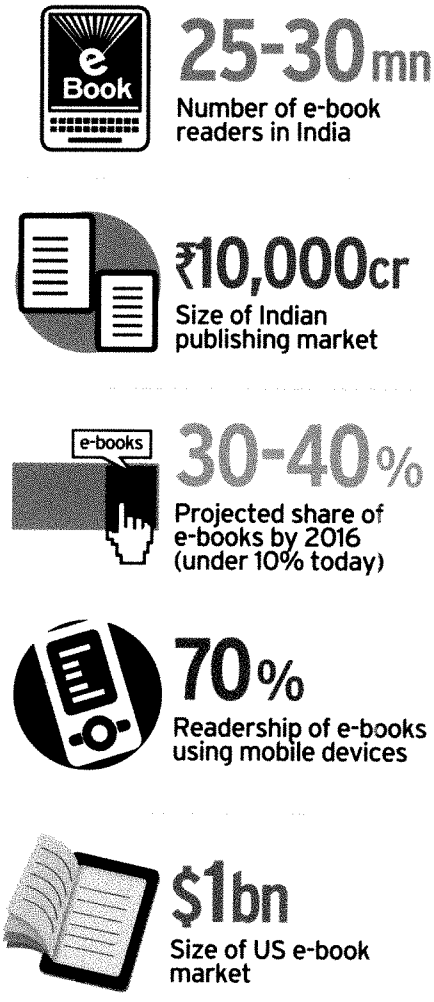
Last December, online retailer Flipkart launched an Android app for e-books, Flyte,. It has already seen 50,000 titles downloaded, a third of them by smartphones. Flyte, more popular for its music downloads, has about 150,000 titles in its e-library. In February, Google launched its Play Book store in India though it still hasn't introduced its music and movie stores. "We believe the future of e-reading will happen on smartphones, tablets and phablets," says Sameer Nigam, Vice President of Digital Services at Flipkart. "We are betting big on mobile devices... and about 70 per cent of the e-readership is coming from these devices."

Many publishers see the smartphone as the main platform for digital reading, especially with e-readers such as the Kindle failing to take off in a big way in India, unlike the United States and Europe. It was almost natural for Flipkart, India's largest online bookseller, to have an e-book app, but many others have also jumped into the business. iMusti,

VIVAN MEHRA/www.indiatodayimages.com

which has popular music and video apps, also has an e-book app with a strong India slant. The iMusti app allows users to rent out books and read them offline too. "Our content is strongly focused on India and our regional languages. We want only high quality content and won't sell anything that goes against the grain of our culture," says Samir Khandwala, Founder and CEO, iMusti Inc., who is also working with small publishers to digitise Indian books, some of which went out of print ages ago.

RockASAP Retail Pvt Ltd, an arm of mobile value-added services major Handygo Technologies, also launched its Rockstand app to cash in on the popularity of e-books. It has tied up with over 150 publishers and gives new authors a chance to publish their books directly on the app. New authors can't expect much from self-publishing e-books though apps such as Rockstand, but established authors could claim up to 50 per cent as royalty. Company head Rishi Mohan Jha says new mobile devices are shifting e-book readership away from laptops and desktops.



Source: Forrester Research, FICCI and Flipkart

Authors are not complaining. "I felt the need to reach out to expatriate readers like me who would relate to the stories I had to tell. But they did not have access to my books that were stocked only in India and Sri Lanka," says Shweta Ganesh Kumar, who has written an e-book-only novella for Indirom. "The cost involved in distributing paperbacks outside India is immense. It hikes up the price exponentially and turns readers off," adds Kumar who lives in El Salvador.

E-books have some inbuilt advantages over printed content. They allow you to read a book over multiple devices and fonts can be adjusted. Indirom's Dominic says the experience is better on smartphones because of larger and better resolution screens. It helps that these phones, some with screens as large as five inches, are becoming more affordable. The social angle is another attraction: users can discuss titles with friends and see what others are reading as most apps are linked to social networking sites. "We are excited by the potential to completely redesign the reading experience for our readers. They can engage with authors on our site," says Indirom's Hassan.

The opportunity is not lost on bigger publishers either. Gautam Padmanabhan, CEO of Westland Ltd, a Tata Group publishing house, says they have discussed e-book-only versions of titles, but have not made a decision yet. E-book-only versions allow people to buy parts of a title. "These work best for out-of-print titles or reference works where a person may not be interested in buying the whole book as only a certain chapter may be relevant to their research," he says.

ACK Media, publisher of the popular *Amar Chitra Katha* series, has also jumped on the digital bandwagon for its mythological comics. "For digital comics, magazines and picture books, the tablet is arguably the ideal consumption device. Most of our interactive, digital products are being developed with the tablet in mind," says Shubhadeep Bhattacharya, digital head at ACK Media.

But digital books are unlikely to edge out old-fashioned paper any time soon. India publishes about 100,000 titles a year and e-books account for just a small fraction of the around ₹10,000-crore industry. Some companies such as iMusti sometimes package an e-book purchase with a paper edition. "Since there is no estimate of how consumer habits will evolve, all serious publishers need to create necessary solutions to address growing demand," says Vijay Sampath, CEO, ACK Media. "Digital publishing will be a mainstream delivery system for content in the long term, but it will co-exist with physical publishing." It may not be long before the e-book version of Chetan Bhagat's *Five Point Someone*, among India's most sold book titles, catches up in sales of its print version. ◆

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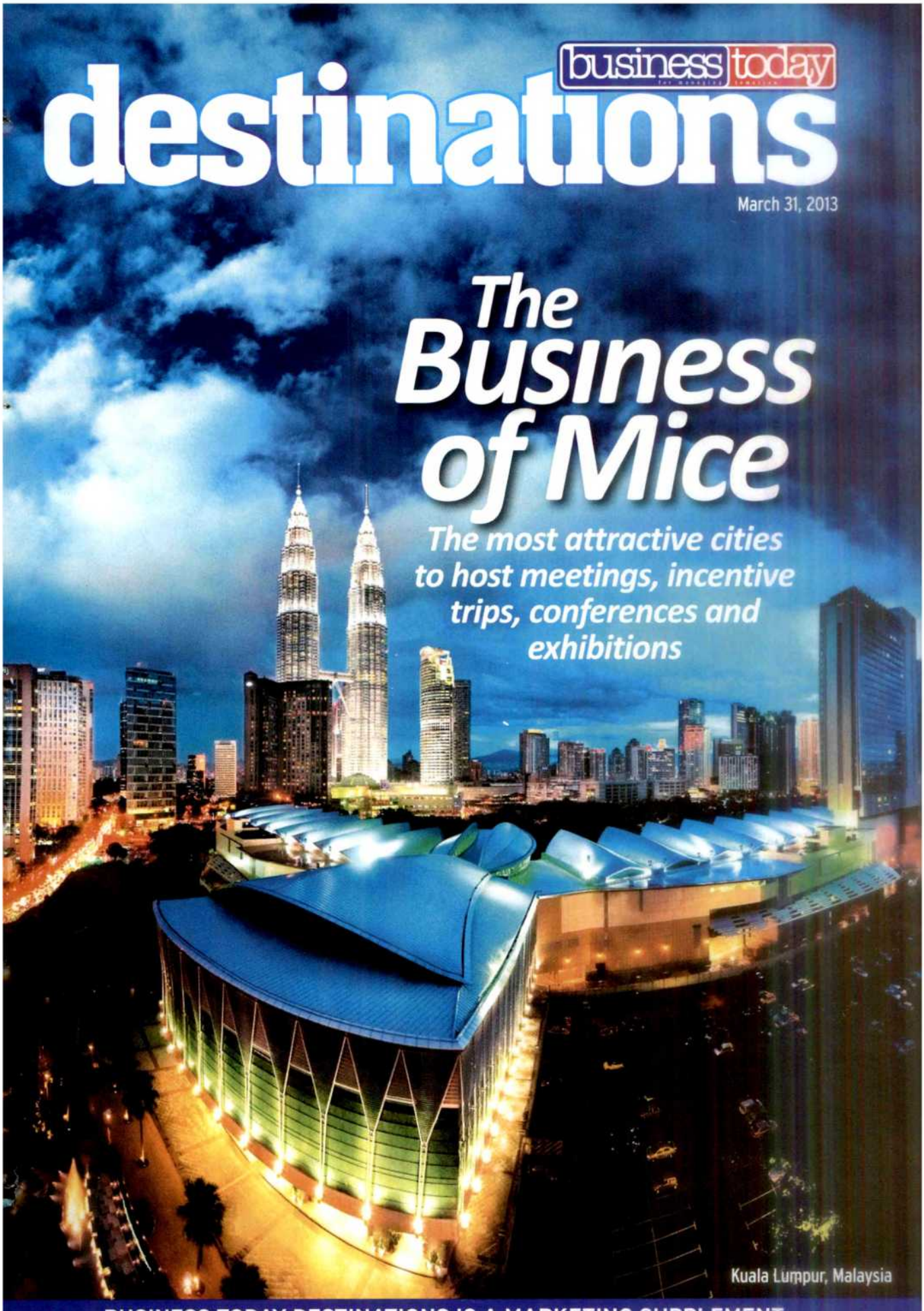
business today

destinations

March 31, 2013

The Business of Mice

The most attractive cities to host meetings, incentive trips, conferences and exhibitions



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Turkish Airlines takes great pride in its catering. In cooperation with Do&Co, 5-star quality meals are prepared for all of our flights. Turkish Airlines placed first in the category of "Best Economy Class Onboard Catering" at the 2010 Skytrax World Airline Awards. In 2011 Turkish Airlines improved its catering even more and ranked 2nd in each class in the category of "World's Best Catering". Business Class passengers on extended range flights may take advantage of Turkish Airlines' very own Flying Chef to provide them with unique gourmet experiences and exquisite tastes from around the world.

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Whether you fly in the morning, afternoon or in the evening, Turkish Airlines will make you feel at home among the clouds. Even before you take your seat you will notice a difference. The seats have been designed using the latest technology to provide the ultimate ergonomic comfort for our passengers. In fact, Turkish Airlines won the 2011 and 2012 Skytrax award for "World's Best Premium Economy Class Seat". Every passenger who flies with
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Turkish Airlines provides one of the best in-flight entertainment systems. A wide range of games, films and music will help you leave all your worries on the ground. Our integrated Planet Browser can connect you to the World Wide Web and keep you updated on all happenings taking place 30,000 feet below. LCD screens, USB and Ethernet connection ports on every seat will give you that personal touch to your flight experience.

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FROM THE ISSUE EDITOR

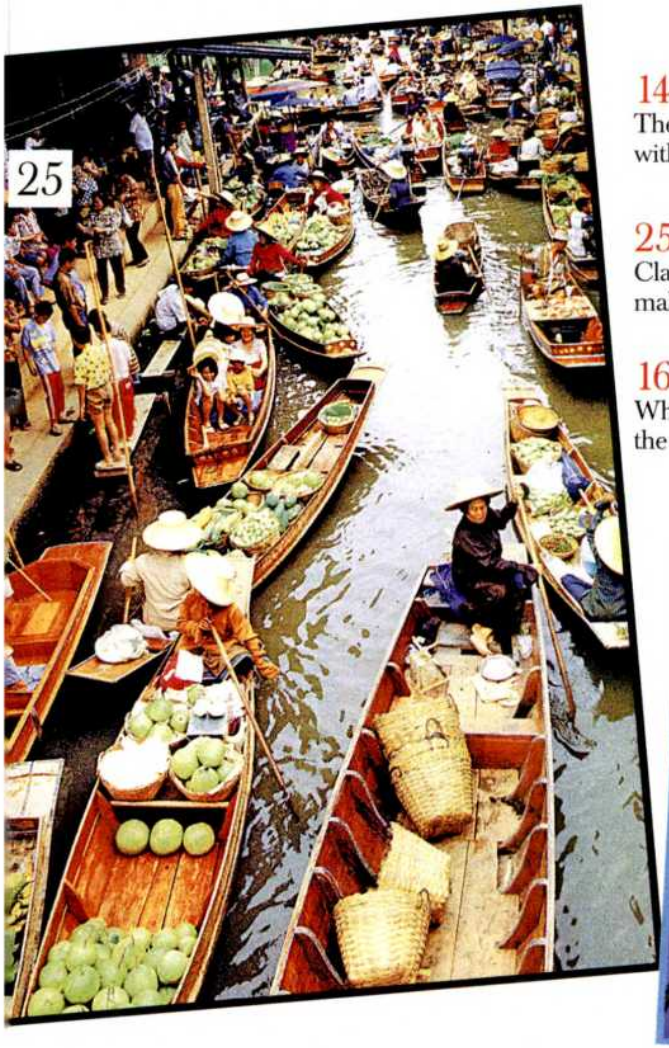
The world economy is staggering under the weight of fatigue as recession becomes a cyclical reality, yet over the last few years, business houses have learnt to adapt to this and subsequently tweak their operations and budgets to fit the bill. With an increase in Foreign Direct Investment (FDI) in Indian businesses and the growth of transnational companies, corporate travel is a big area of interest and is being viewed as a highly lucrative market. Indian companies are travelling overseas far more frequently and the market for MICE (meetings, incentives, conferences and exhibitions) has grown in leaps and bounds. Chew on this: According to a September 2011 study carried out by a consulting firm, in 2010, the Indian outbound MICE market was estimated to be between $550 and 600 million and financial services, pharmaceutical, IT and cement industries were the key players pushing growth in this segment; the numbers have only gone up since.

Asia is a popular choice for outbound MICE travellers from India for many reasons that include simple visa procedures and the fact that the rupee does not free fall here as it does in Europe or England. As a result, governments, tourist boards and trade commissions in the region have taken to working together to woo MICE travellers and most of them offer attractive discounts and packages to make their destinations more attractive to the discerning business traveller. Popular MICE destinations like Thailand have a large share of the MICE pie with the Thailand Convention & Exhibition Bureau (TCEB) claiming a 65 per cent market share in 2012 with as many as 895,224 MICE travellers arriving here over the course of the year. Both Bangkok and Phuket remain top favourites with Indians for meetings and exhibitions given their proximity, fantastic infrastructure and scenic hotels that are well-equipped to handle large-scale meetings. Other big players include China, where along with Beijing, Shanghai and Guangzhou are considered hot MICE destinations. China holds thousands of conferences and exhibitions each year and this has given its economy a boost. As a result, more and more convention centres and hotels are being set up to cater to the needs of travellers in this segment. Other destinations that have seen a growth spurt in MICE tourism in recent years include Hong Kong and Macao, Singapore, (one of the first off the block) Malaysia and Indonesia.

While budget cuts are a reality in most organisations, these meetings, conferences and expos are viewed as a necessary part of team building and employee engagement programmes, especially by multinationals. As the market expands and needs grow diverse, newer destinations are being explored that include the Czech Republic, Germany, Maldives and even Fiji, where the government is looking to focus exclusively on MICE travellers in 2013.

(Prachi Bhuchar)

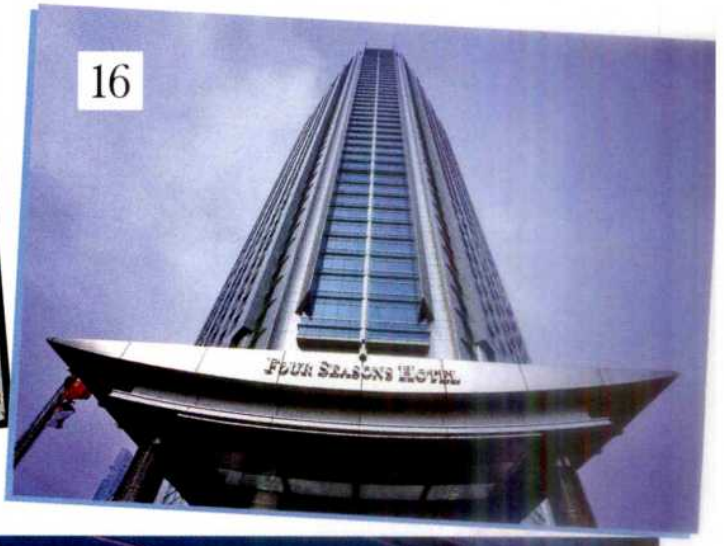
CONTENTS

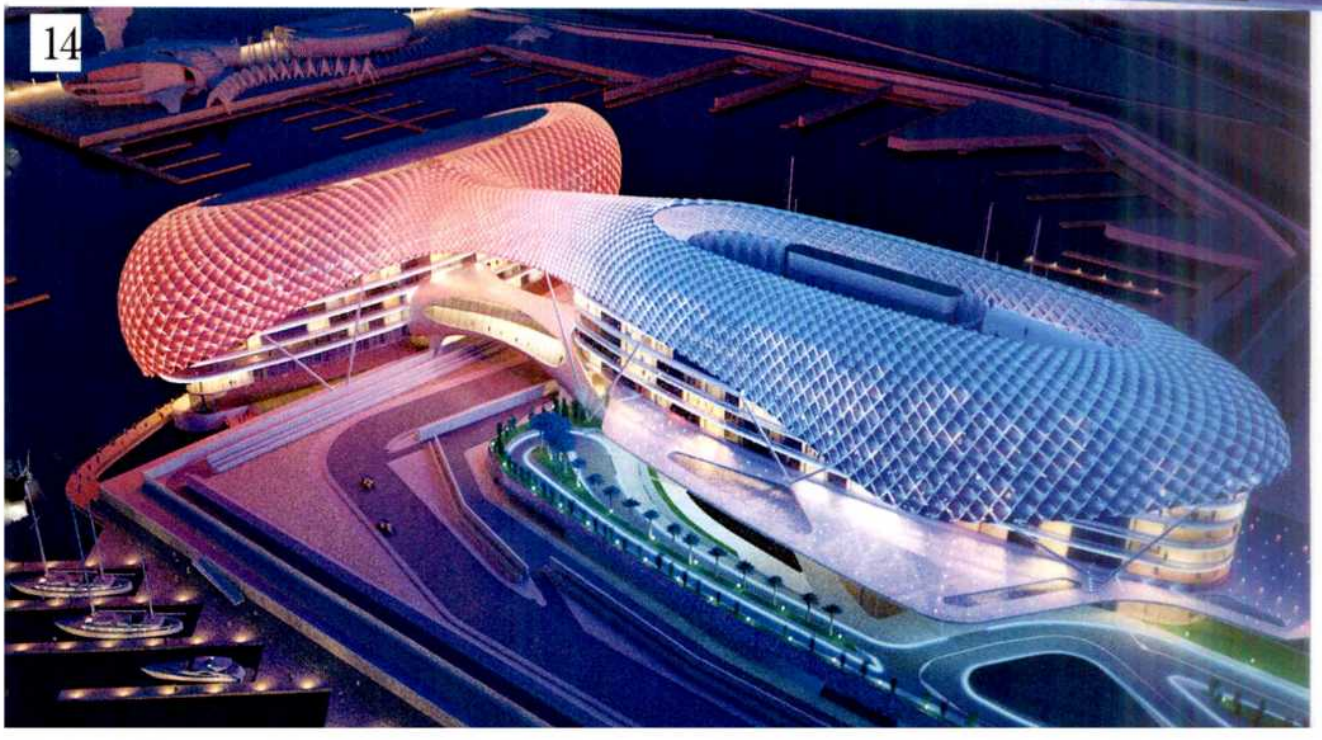


14 ABU DHABI & 6 DUBAI
The twin cities of the United Arab Emirates beckon with their glitz, glamour and infrastructure that works

25 BANGKOK & PHUKET
Classic oriental attractions, great food and warm hospitality make Thailand a strong contender for your offsites

16 SHANGHAI & 28 GUANGZHOU
When your destination is East Asia, few can match the lure of China's economic wonder cities

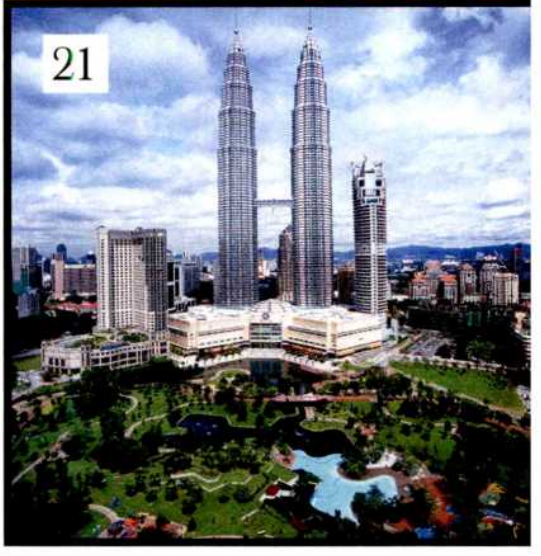




CONTENTS

11 HONGKONG & 18 MACAU
High connectivity and vibrant night life promises to keep your event buzzing

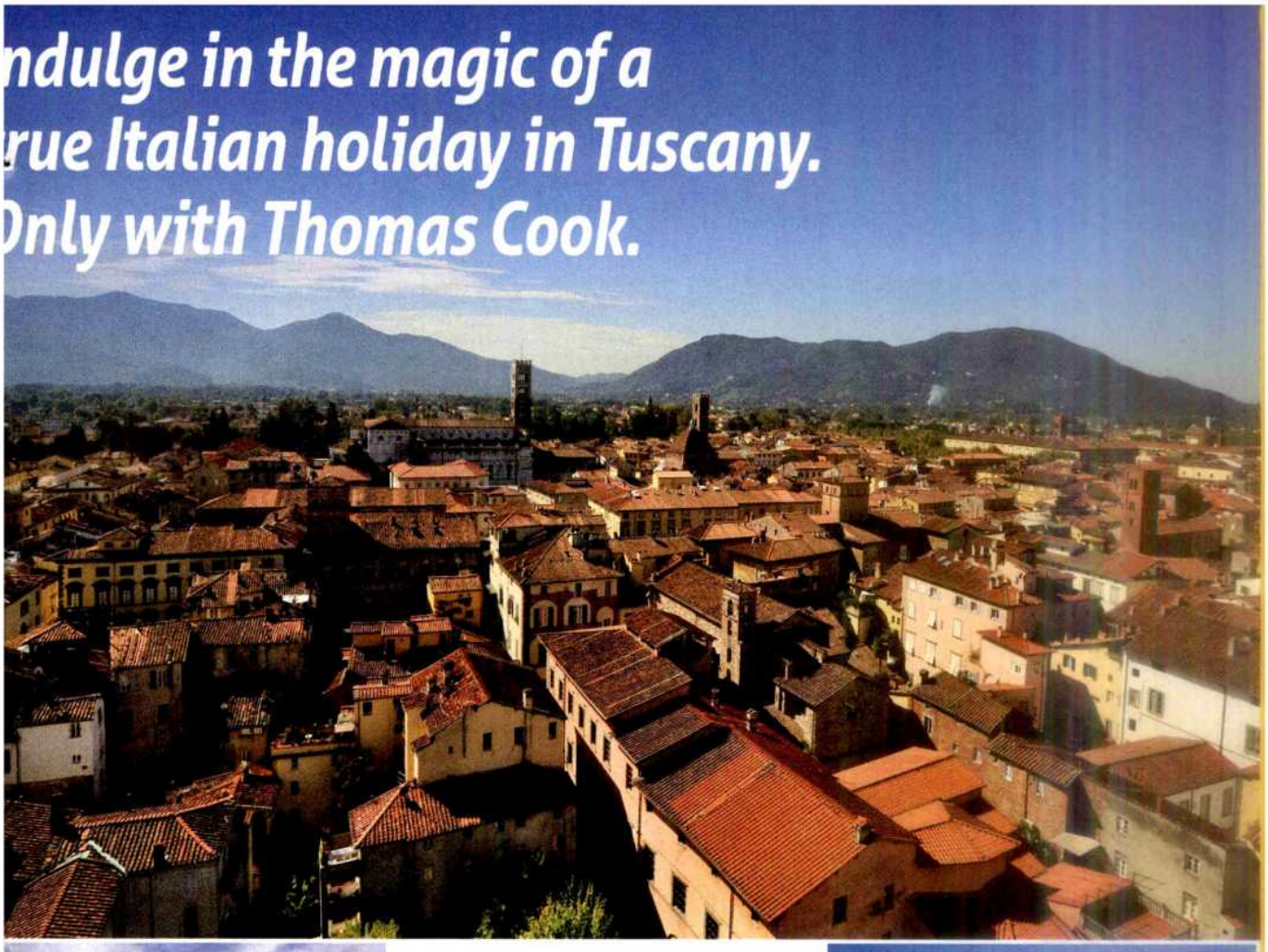
30 SINGAPORE
Asia's most cosmopolitan and best-connected city, this is one option you cannot ignore



9 ISTANBUL
At the crossroads of civilisation, Turkey blends the best of European modernity with Asian traditions

21 MALAYSIA
With first-world infrastructure and all the oriental trappings, Malaysia guarantees success

ndulge in the magic of a rue Italian holiday in Tuscany. Only with Thomas Cook.



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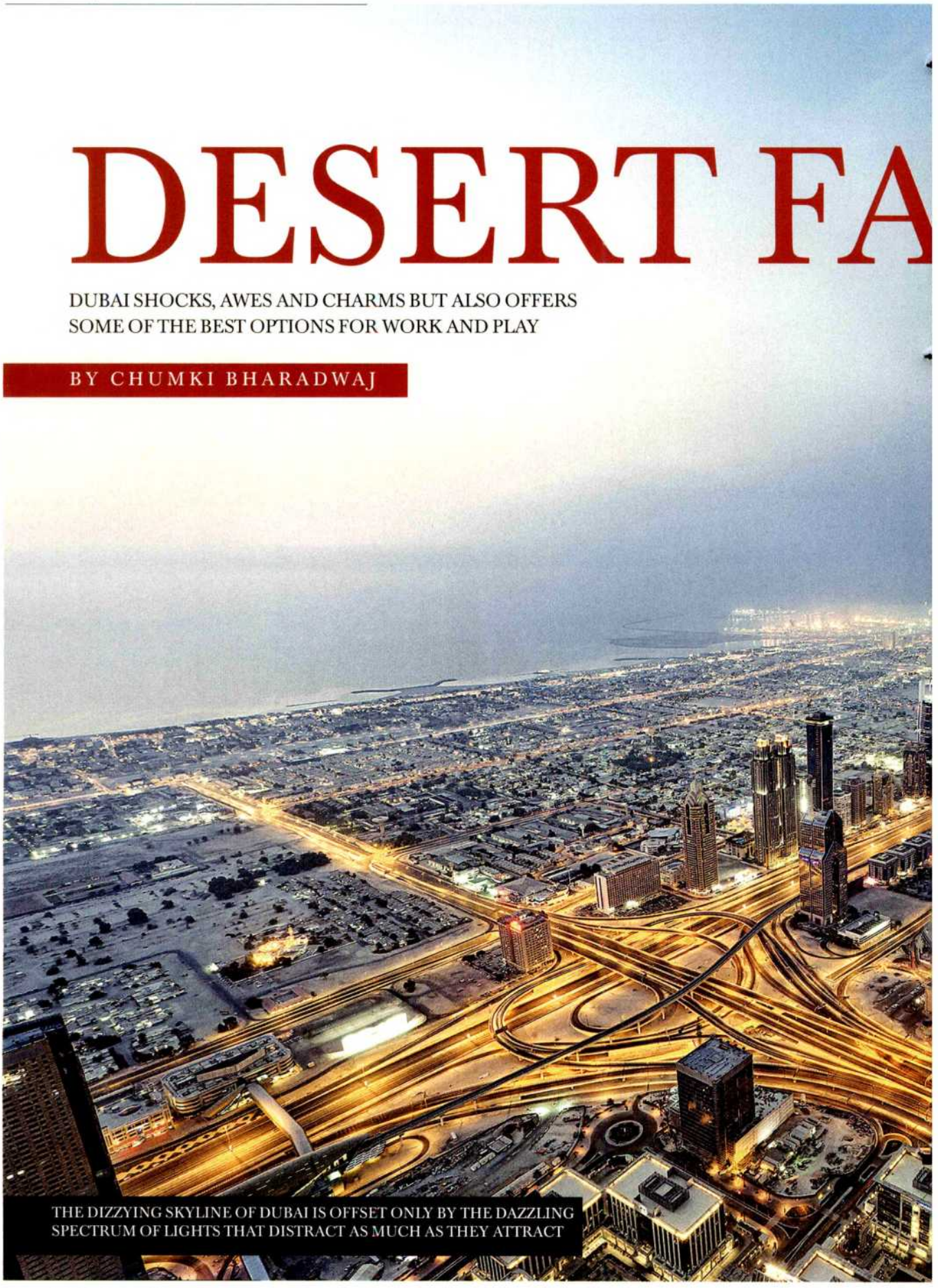
DESERT FA

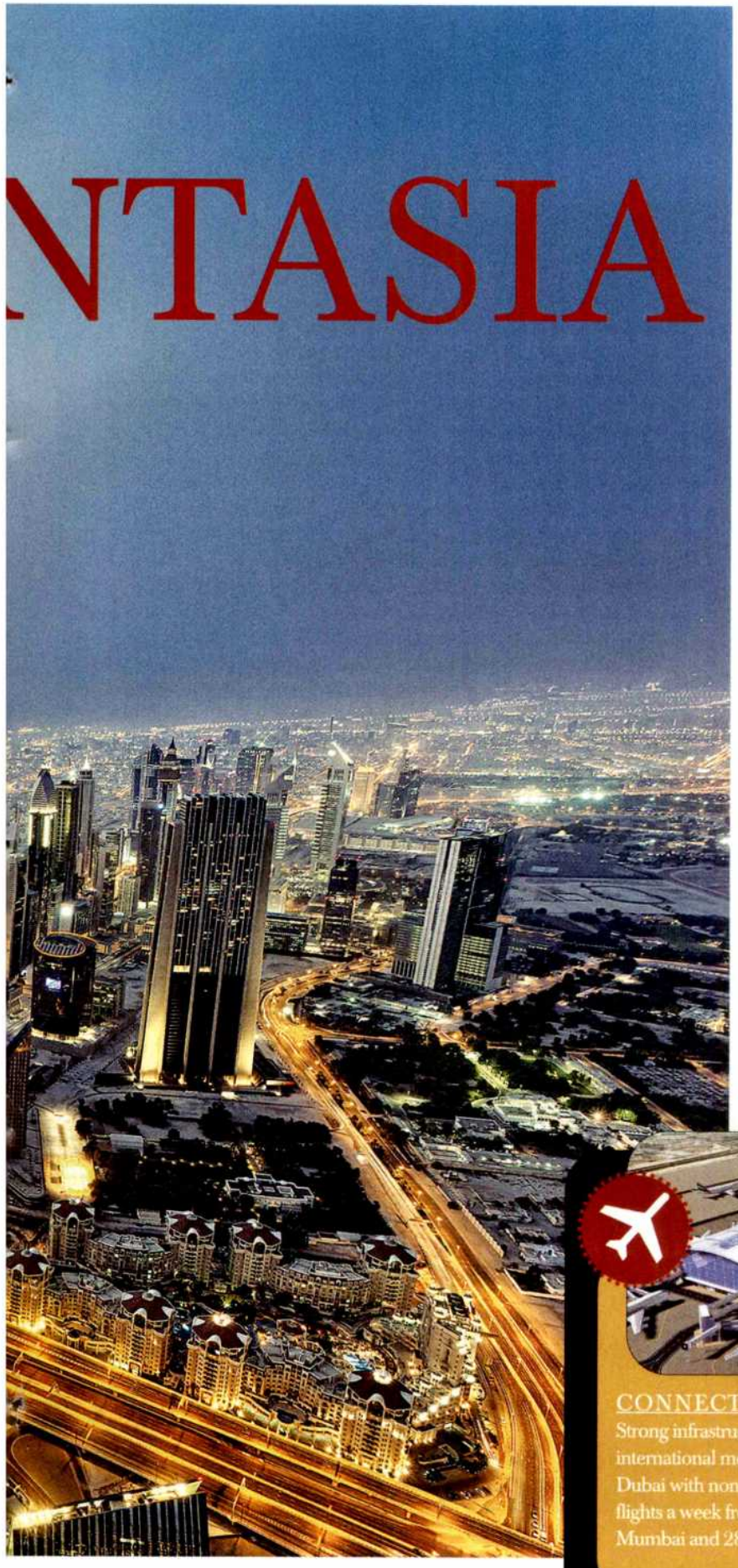
DUBAI SHOCKS, AWES AND CHARMS BUT ALSO OFFERS SOME OF THE BEST OPTIONS FOR WORK AND PLAY

BY CHUMKI BHARADWAJ



THE DIZZYING SKYLINE OF DUBAI IS OFFSET ONLY BY THE DAZZLING SPECTRUM OF LIGHTS THAT DISTRACT AS MUCH AS THEY ATTRACT

NTASIA



Dubai's vertical flexes of glass and steel may induce a gush of sci-fi vertigo, but several seven-star properties, world's tallest tower, manmade islands, mega malls and underwater hotels later, you still can't deny that it combines the best of western infrastructure, Middle Eastern megalomania and Eastern hospitality. In short, it plays to the galleries when it comes to the perfect MICE (Meetings, Incentives, Conferences and Exhibitions) setting. Modern facilities for hosting large events, enough after hours entertainment for an extended holiday or incentive shopping and a startling array of hotels, cuisines, and beaches to ensure that every event comes bubble wrapped with gilt-edged excitement.

ENTERTAINMENT

Whether you choose to dine among the dunes, cruise aboard a traditional dhow or go dune bashing in Cherokee jeeps, in Dubai parlance, understatement is an urban legend. Sand boarding and camel riding are the tamer choices; while options on the wild side include parasailing, windsurf

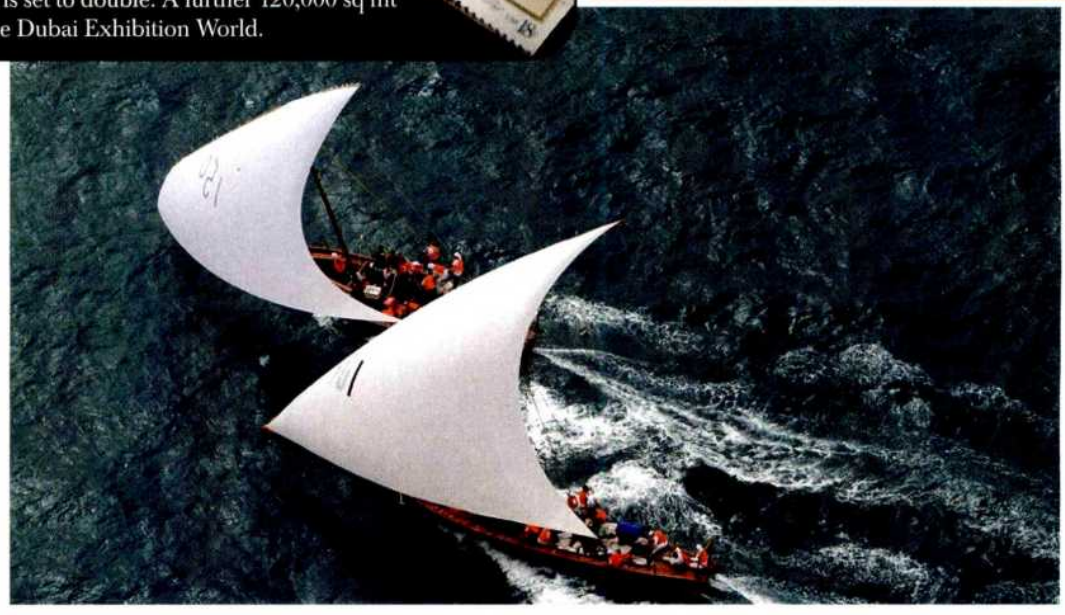
CONNECTIVITY

Strong infrastructure and air accessibility make it ideal for international meetings. About 106 airlines operate out of Dubai with nonstop flights to 196 cities. Emirates flies 185 flights a week from 10 stations in India: 35 flights from Mumbai and 28 from New Delhi per week.

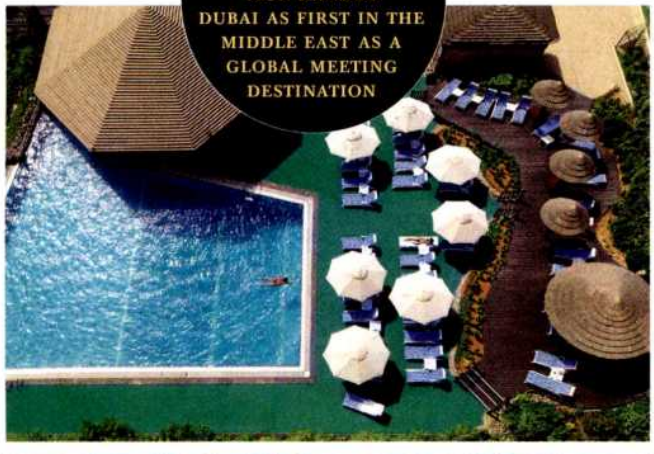
MEET AND GREET

DUBAI World Trade Centre is scheduled to hold over 100 trade exhibitions and events in 2013

DUBAI'S International Convention and Exhibition Centre (DICEC) currently provides 51,000 sq mt of exhibition space and is set to double. A further 120,000 sq mt will be added with the Dubai Exhibition World.



THE INTERNATIONAL CONVENTION AND CONGRESS ASSOCIATION RANKED DUBAI AS FIRST IN THE MIDDLE EAST AS A GLOBAL MEETING DESTINATION



ing, waterskiing, skydiving, microlighting, paddleboarding, wakeboarding, scuba diving, deep sea diving, kayaking, quad biking, swimming with the dolphins or camel polo. Of course, you can also opt for a desert safari, which involves dune bashing, quad biking, camel rides, sand ski, BBQ dinner, belly dancing, and Shisha. Although, it's a Muslim state, alcohol flows liberally. By law, it can be only be served within the confines of a hotel, but with an estimated 450 hotels in the emirate, some with up to 26 bars, restaurants and clubs, chances are you won't be left thirsty.

HOTELS

Hotels in Dubai basically belong to three categories: beach, city and desert. Most business hotels are located in the business district that is close to the World Trade Center and the Dubai Convention Center as well as the airport.

TRADERS HOTEL Conveniently located, the hotel provides sensible facilities at reasonable prices. 4★; *₹8,578 onwards.*

THE INTERCONTINENTAL At the heart of Dubai Festival City, a world-class waterfront lifestyle resort that blends shopping, entertainment, offices, hotels and leisure in one place. 5★; *₹29, 923 onwards*

THE FAIRMONT Designed with business in mind, this multi-use complex is linked to the Dubai International Convention Center by the 'Fairmont Walkway. 5★; *₹44,903 onwards*

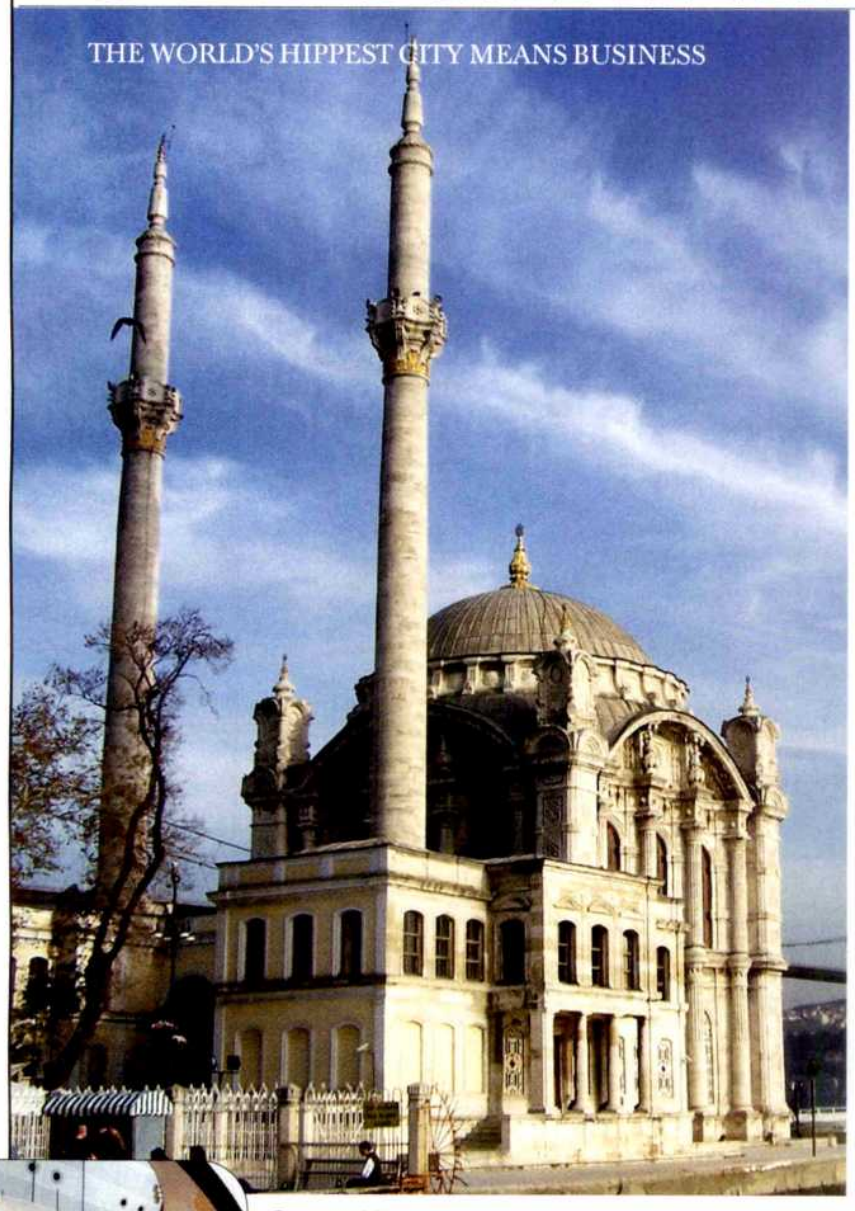
THE RADISSON BLU HOTEL winner of 'Best Business Hotel in the Middle East' by the UK's Business Traveller and Business Asia magazines with CNBC. 5★; *₹19,656 onwards*

AL BUSTAN ROTANA blends Arab hospitality with modern tastes; it is ideal for business and luxury travellers alike since it is hemmed by two world class gold courses; 5★; *₹22,310 onwards*

BY ANUSHREE BASU-BHALLA

OTTOMANIA

THE WORLD'S HIPPEST CITY MEANS BUSINESS



ORTAKÖY MOSQUE AND BOSPHORUS BRIDGE; THE NEW TURKISH AIRLINES' BUSINESS AND FIRST CLASS LOUNGE AT THE ATATÜRK INTERNATIONAL AIRPORT (LEFT)

IMAGE BY ELLI ZOE

CONNECTIVITY

Most long-haul flights to Turkey land at Atatürk International Airport (Istanbul), 23 kilometres west of the city centre on the European shore. Turkish Airlines flies daily from New Delhi to Istanbul and offers newly-launched business-class seats on its A330-300 fleet and a new club-class lounge at Atatürk airport. The expansive lounge features business sections with plenty of iMacs, a recreation section with on-demand entertainment, and a stately library complete with a pool table.

Located between two continents, Asia and Europe, Istanbul knows how to bring people together. Its 3,500 years as a capital of three empires; crossroads of trade and cultures, play a crucial role in forging its current 'global city' reputation.

CONVENTIONS

With its world-class infrastructure, Istanbul can host events for groups from 500 to a maximum of 30,000 people at any time of the year; it helps that the city has a languid climate throughout the year which makes logistics easy.

ISTANBUL CONVENTION & EXHIBITION CENTRE (ICEC)

The ICEC building features a total of 21 meeting rooms with capacities ranging from 60 to 600. The Rumeli Fair & Exhibition Hall offers a further five boardrooms and six VIP suites and features Istanbul's largest ballroom measuring 2,100 sq mt and includes simultaneous translation in 11 languages with full audio-visual support. It is the only convention centre in Istanbul where 3,500 delegates can sit down together for a five-star gala dinner.

ABDI ÝPEKCI ARENA

Internationally acclaimed as Turkey's premier multi-purpose indoor sports arena, Abdi Ipekçi has hosted various prestigious events, including The Depeche Mode–Exciter Tour, The Eurovision Song Contest, Phil Collins–First Farewell Tour and many meetings of large volume. It is located in Zeytinburnu right across the ancient city walls, just six kilometres from the international airport.

ENTERTAINMENT

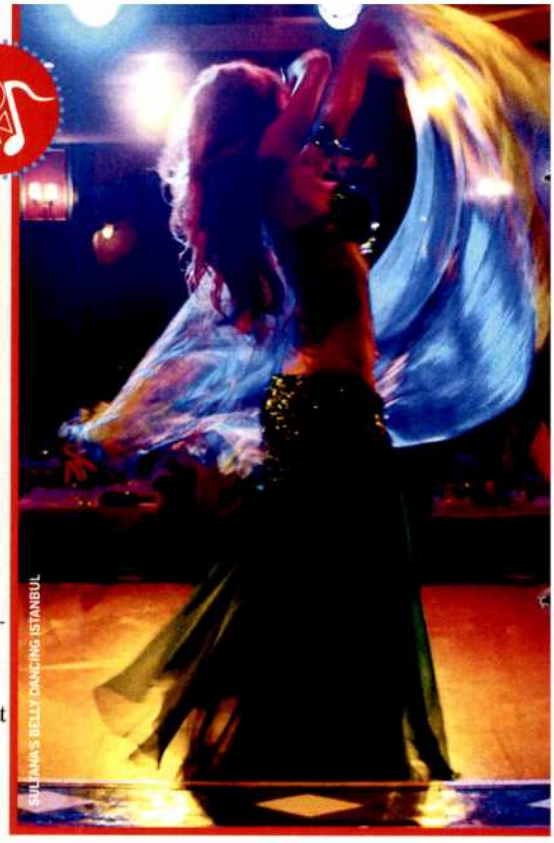
Popularly known as the World's Hippest City with the right mix of Western hedonism and Eastern tradition, Istanbul is a hub of business and social activities. Ferry around the gentle Bosphorous, tuck into baklava and doner kebabs, rejuvenate at a traditional hamam, and marvel at the Ottoman architecture–Istanbul has so much to offer that on your next business trip to the city you will surely run out of time.

A Lesson In History Draw inspiration from the glorious Blue Mosque and lavish Ottoman Topkapi Palace. Hagia Sophia and the European-style Dolmabahçe Palace' lavish gardens are great for some quiet time.

Nightlife Like No Other Nocturnal revelers in Istanbul take pride its pulsating nightlife. Between rooftop bars and underground clubs, being sleepless in the city is easy.

Blow Off Some Steam Hamams are Istanbul's hedonistic highlights. These are still-functional historical bath-houses that make for a worthy visit for the body and soul after a tiring business meeting.

Shopping Paradise Hundreds of handmade carpets and rugs at Grand Bazaar make for a thoughtful gift to take back home. Buy Beluga caviar and Afghani saffron at Spice Bazaar; pick 'evil-eye' knick-knacks at Arasta Bazaar near the Blue Mosque as souvenirs. And indulge in some high-street to haute couture shopping at Istiklal Street near Taksim Square.



SULTANA'S BELLY DANCING, ISTANBUL

HOTELS

Istanbul has a gamut of hotels that cater to all budgets and business requirements.

Grand Hyatt Istanbul The hotel is located right in the city centre near prominent landmarks like Istanbul Lutfi Kirdar Convention and Exhibition Centre, Taksim Square and Topkapi Palace.
5★; ₹16,221 onwards

Grand Cevahir Hotel Convention Center The hotel has 323 accommodation and 22 meeting rooms with state-of-the-art infrastructure. Its Cevahir Auditorium is the only hotel auditorium in Turkey with a capacity to hold 1,013 people.
4★; ₹7,864 onwards

Ceylan Intercontinental Istanbul It is conveniently located within walking distance from Taksim Square. It's Safran Restaurant & Terrace offers Ottoman delicacies and is a local favourite.
5★; ₹21,465 onwards

A'jia Hotel Set along the waterfront of the Bosphorus, the hotel is situated in a traditional Ottoman mansion. It has a beautiful banquet that seats 300 people. Rooms have free Wi-Fi. The hotel provides free boat shuttle service to the city centre. *5★; ₹13,580 onwards*

Le Meridien Istanbul Etiler This slick business hotel offers panoramic views of the Bosphorous. Business centres, meeting rooms and a 2,300 sq mt conference space with high-tech audio visual equipment and LCD screens.
5★; ₹10,800 onwards

CLOCKWISE FROM TOP: COLOURFUL LAMPS AT GRAND BAZAAR; A BELLY DANCE SHOW IS THE HIGHLIGHT OF ISTANBUL'S NIGHTLIFE; THE CITY HAS MANY STATE-OF-THE-ART CONVENTION CENTRES

PICTURE CREDIT FDI

MICE VENUES

According to ICCA (International Congress and Conventions Association) statistics, Istanbul ranks as the seventh most popular destination for business travellers in the world.

BY VAROON P. ANAND

ORIENTAL JEWEL

ASIA'S PREMIER MICE DESTINATION GROWS FROM STRENGTH TO STRENGTH

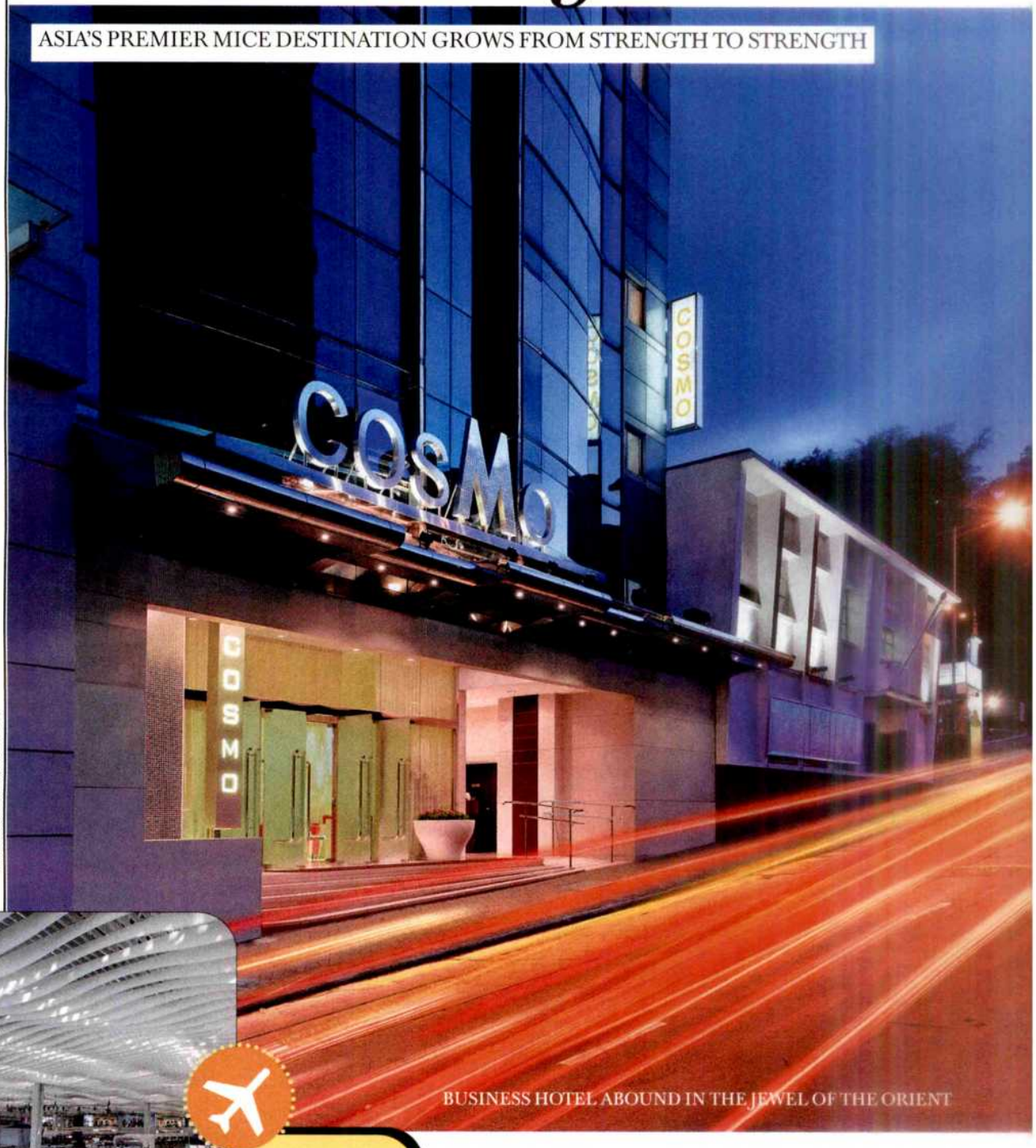


IMAGE COURTESY COSMO HOTEL

BUSINESS HOTEL ABOUND IN THE JEWEL OF THE ORIENT

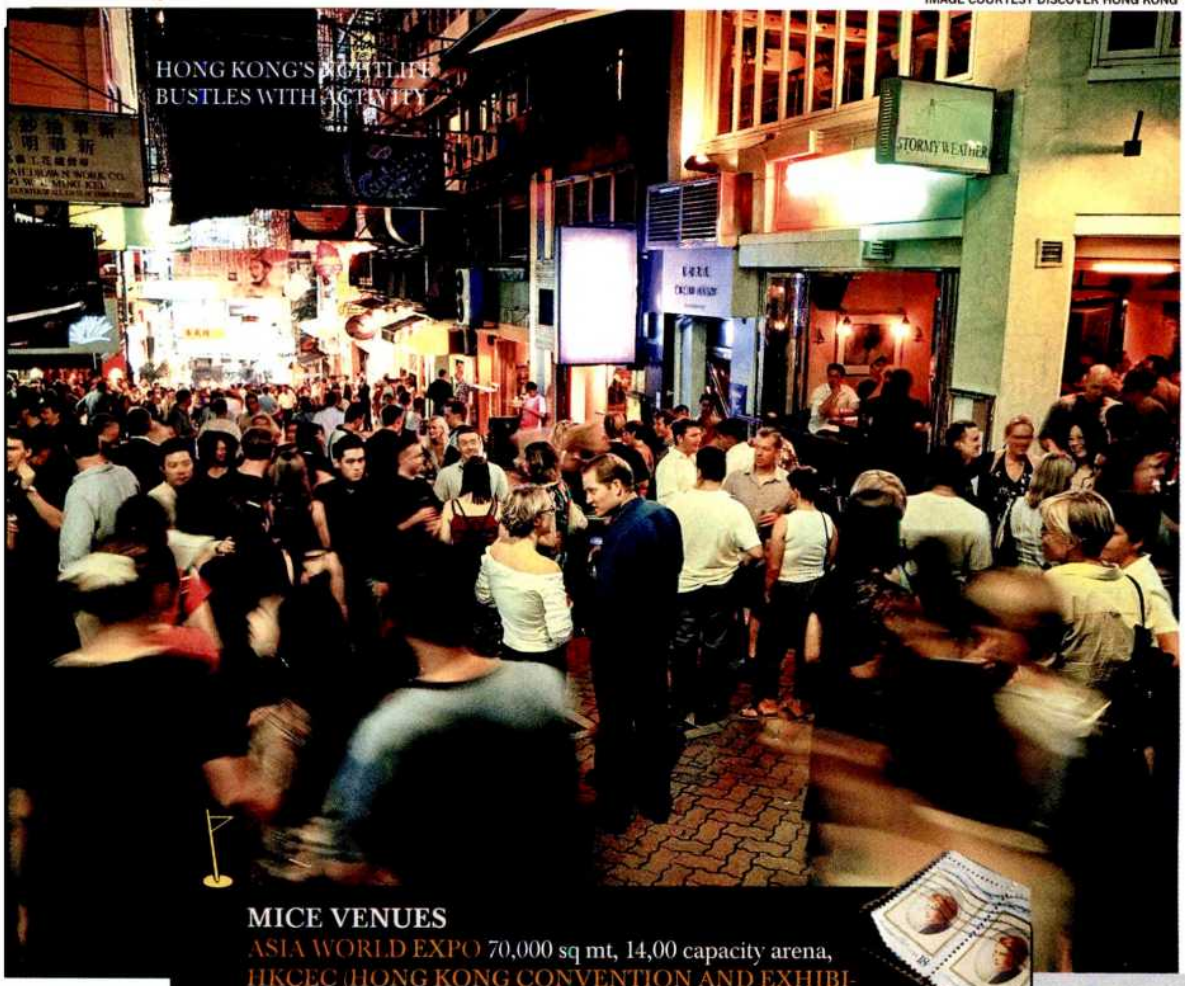
IMAGE COURTESY CHINESESTOCKORG

CONNECTIVITY

Hong Kong international Airport took the second spot as Best Airport for Business Travellers in 2012, and at only 5 hours flight time away from New Delhi it's an ideal location for overnight Indian business travellers. A $34 billion stimulus package has also been invested to develop high speed rail.

Hong Kong's strategic location at the heart of the world's fastest growing economies along with its sophisticated infrastructure, easy accessibility, business-friendly environment, professional expertise and vibrant lifestyle converge to become what is recognised as Asia's premier destination for meetings, incentives, conventions and exhibitions (MICE). The numbers of companies coming to Hong Kong to exhibit, the amount of exhibition space they occupy, and the numbers of visitors from over-

IMAGE COURTESY DISCOVER HONG KONG



HONG KONG'S NIGHTLIFE BUSTLES WITH ACTIVITY

IMAGE COURTESY DISCOVER HONG KONG

MICE VENUES

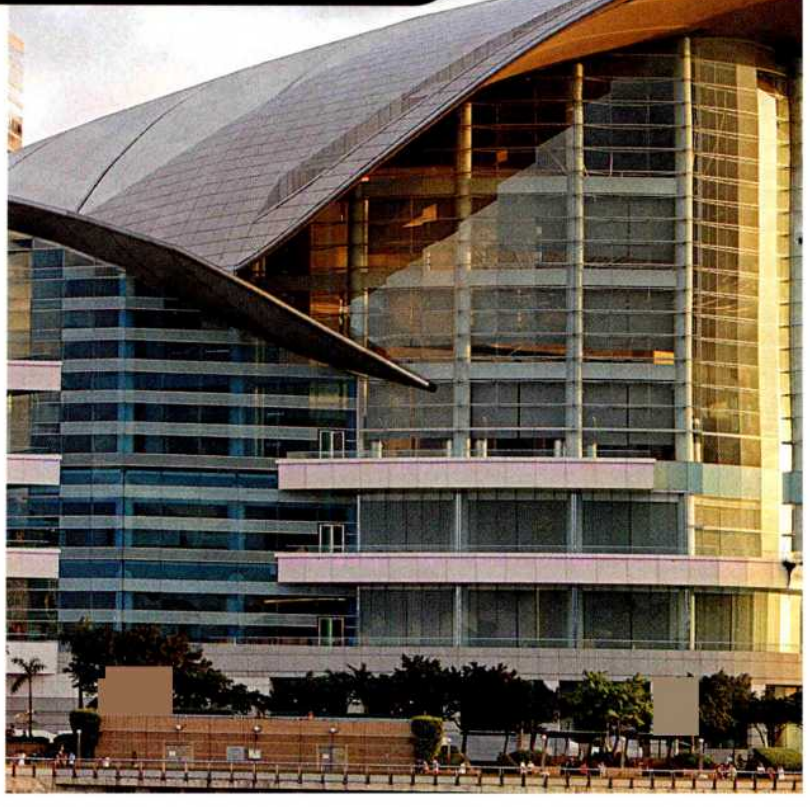
ASIA WORLD EXPO 70,000 sq mt, 14,00 capacity arena,
HKCEC (HONG KONG CONVENTION AND EXHIBITION CENTRE) 92,061 sq mt, 140,000 total capacity
KITEC (KOWLOON BAY INTERNATIONAL TRADE AND EXHIBITION CENTRE) 163,000 sq mt, 3,600 capacity Star Hall

seas arriving for exhibition-based activities, posted double digit growth in 2012. There were 111 'trade' and 'trade and consumer' exhibitions with 2,000 sq mt or more gross area held in Hong Kong between January and December 2011, up by 19.4 pe cent from 2010. Most notably, Hong Kong consistently ranks as Favourite Business City in the World for 2012 in many surveys.

HOTELS

From super-deluxe hotels to approved budget hostels, Hong Kong offers a huge range of accommodation. Take your pick from more than 57,000 rooms in over 150 hotels.

CONRAD One of the world's finest business hotels with an executive lounge, butler service and a private meeting room with a panoramic



HONG KONG FEATURES SOME OF ASIA'S FINEST EATERIES

THE HONG KONG CONVENTION AND EXHIBITION CENTRE OVERLOOKS VICTORIA HARBOUR

IMAGE COURTESY INTERGAME

view of Hong Kong's skyline.
5★; ₹ 18,450 onwards

THE INTERCONTINENTAL Located in Kowloon's prime shopping, business and entertainment district, it is also renowned for its personalised service and superb restaurants.
5★; ₹14,900 onwards

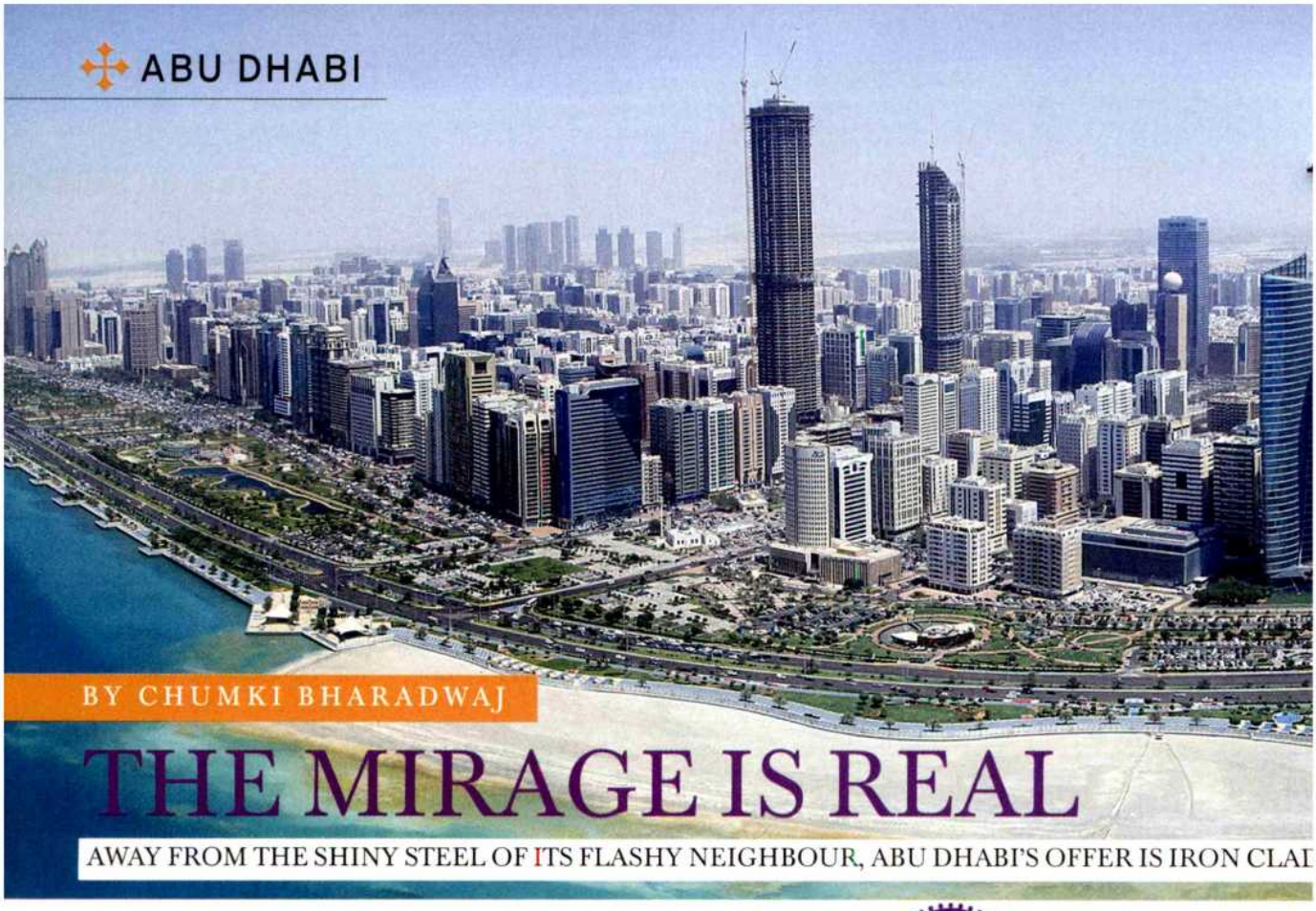
JW MARRIOTT Designed with business in mind, this multi-use complex is directly linked to the Dubai International Convention Center by the Fairmont Walkway.
5★; ₹20,000 onwards

ISLAND SHANGRI-LA In the heart of the city's central district, it rises directly above Pacific Place, Hong Kong's most prestigious shopping and entertainment complex.
5★; ₹19,656 onwards

FOUR SEASONS HOTEL Bustling on the the waterfront, overlooking the Victoria Harbour and the financial district, it offers unrivalled links to Hong Kong Station as well as unparalleled views, with the famed Star Ferry just steps away.
5★; ₹31,900 onwards.

ENTERTAINMENT

Hong Kong exceeds in offering entertainment options that double up as fun and effective team building exercises. Make a splash with Dragon Boat Racing to motivate and integrate staff in the most exciting way; You can join the troupe at the Lion Dance Academy to challenge your teams' ability to work together; And make the most of China by indulging in a Dim Sum Making Workshop at Jumbo Kingdom to breed excellence and focus in your team. Hong Kong offers myriad opportunities to unwind, soak in culture and tradition. You can enjoy the view from the top of Victoria Peak, hunt for bargains at the large open-air Stanley Market, or board the ferry to the charming island of Lamma for seafood delights. The legendary Cantonese Opera is specially designed for foreign speaking audiences and is recommended for spectacular music and amusing displays. After a day of activity a wine tasting session is a popular choice and estates like Crown Wine Cellar offer a wine-tasting experience under the fine tutelage of true wine masters. Conclude with a meal with views of the harbour.



BY CHUMKI BHARADWAJ

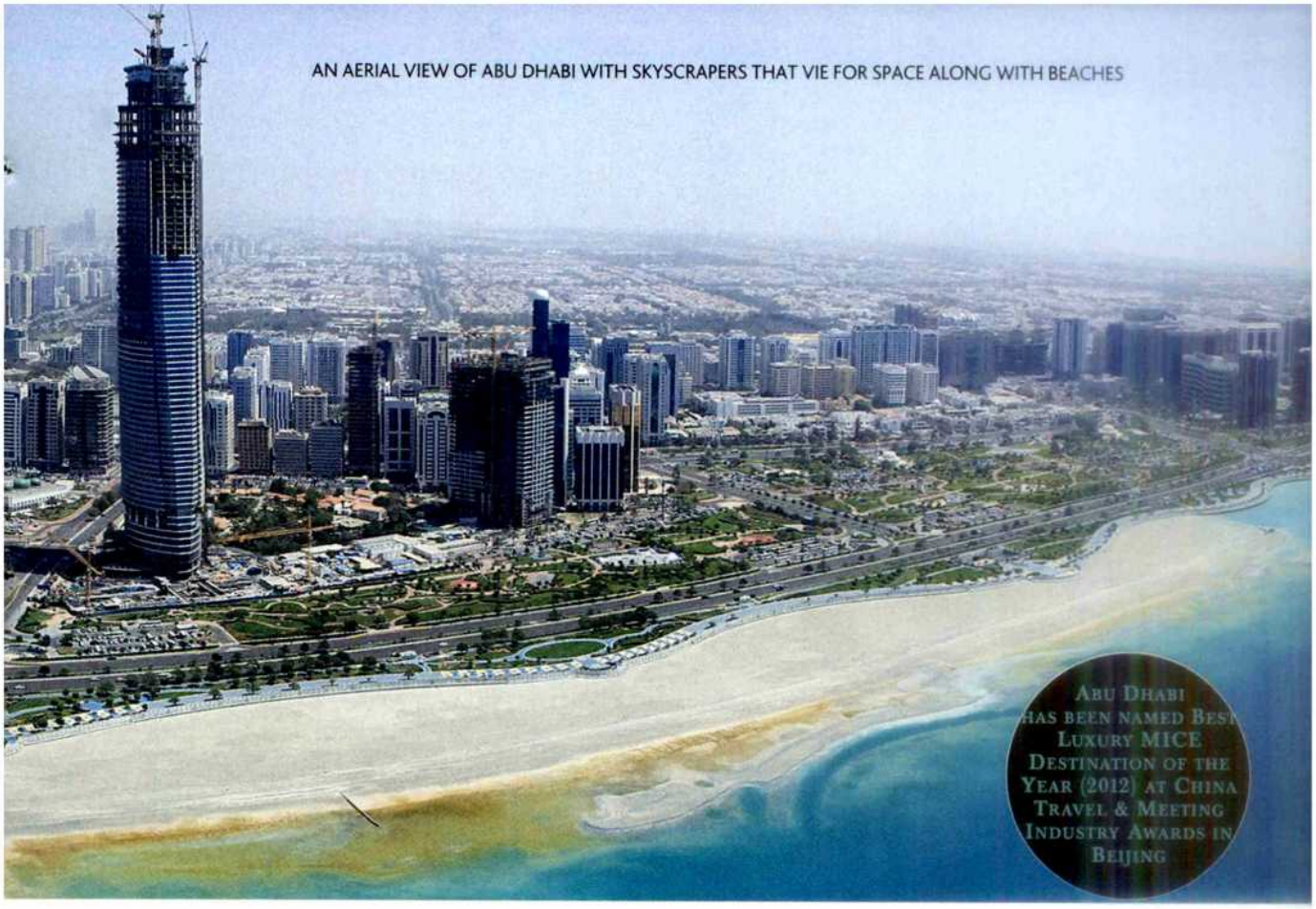
THE MIRAGE IS REAL

AWAY FROM THE SHINY STEEL OF ITS FLASHY NEIGHBOUR, ABU DHABI'S OFFER IS IRON CLAI

If you thought that the leviathan of Middle Eastern glory had been upped by the treasure towers of Dubai alone, clearly you've misjudged its caramel-coloured emirati sibling of Abu Dhabi. Apart from a dynamic city that soars vertically in spirit as well as stretches languorously across the Persian Gulf, it has been voted the Middle East's safest city by New York-based consultancy Mercer. Excellent air and road links as well as a smooth visa process combine with cutting-edge infrastructure and outstanding meeting facilities and venues to make it a strong hub for global events. In fact, Abu Dhabi Tourism & Culture Authority has a dedicated division to champion it as a vibrant global business events leader. and promotes business tourism through strong governmental support. The business events team acts as a one-stop shop, offering co-ordination with local partners, and help arranging introductions to key Abu Dhabi stakeholders, securing support from key industry and tourism leaders and helping with government liaison, researching appropriate venues, offering PR and marketing support, and providing innovative activities and pre- and post-conference ideas. It offers two key Advantage Abu Dhabi initiatives. In order to qualify, your event must include a minimum of 50 paid room nights; the event end-user must be from a single organisation; the event must occur in 2013; and applications must be received 30 days prior to the event. On offer: a complimentary one-day meeting package or complimentary room nights or a complimentary city tour or a complimentary dinner, depending on select criteria. All these factors make it a fitting MICE destination.

ENTERTAINMENT

As the largest indoor and the only Ferrari-themed park in the world, Ferrari World Abu Dhabi possesses the cachet of an iconic venue. With more than 3,000 sq mt of meeting space that can accommodate up to 1,500 delegates, themed function rooms, six restaurants and cafés and exciting attractions–including state-of-the-art racing simulators, quiz-based challenges that test strategic racing skills–it offers a compelling MICE proposition. The park has large spaces to accommodate varying needs and ensures a smooth management of events. The bonus touch of Ferrari flair is a guaranteed value add; where else can a company organise a training conference and couple that with delegates race against each other on a Ferrari driving simulator?



AN AERIAL VIEW OF ABU DHABI WITH SKYSCRAPERS THAT VIE FOR SPACE ALONG WITH BEACHES

ABU DHABI HAS BEEN NAMED BEST LUXURY MICE DESTINATION OF THE YEAR (2012) AT CHINA TRAVEL & MEETING INDUSTRY AWARDS IN BEIJING

In the first quarter of 2012 alone, Abu Dhabi played host to around 125,000 delegates across events that include the World Future Energy Summit: 26,000 delegates; World Ophthalmology Congress: 10,000 delegates. Future events such as the 20th Asia Pacific Society of Cardiology 2015, the 70th Annual Conference of World Association of Zoos and Aquariums (WAZA) 2015 and the 16th World Congress of Health or Tobacco 2016 are in the pipeline.

CONNECTIVITY

One of the fastest growing airports in the world in terms of passengers, new airline operators and infrastructural development. It is currently undergoing a US$ 2.9 billion expansion. The airport is the second largest in the UAE, serving over 12.5 million passengers annually. They operate 63 flights to India per week across nine stations, operating daily flights from Mumbai, Ahmedabad. and Delhi.

HOTELS

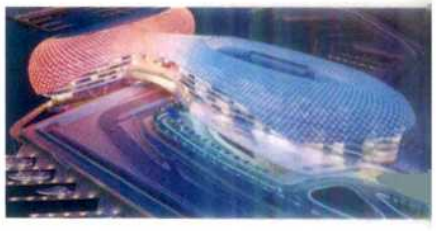
YAS HOTEL Located on Yas Island, home to The Grand Prix Circuit, Formula 1 and Ferrari World, it is great for corporate events with 13 restaurants, a ballroom, six meeting rooms and four board rooms.
5★; ₹7,767 onwards.

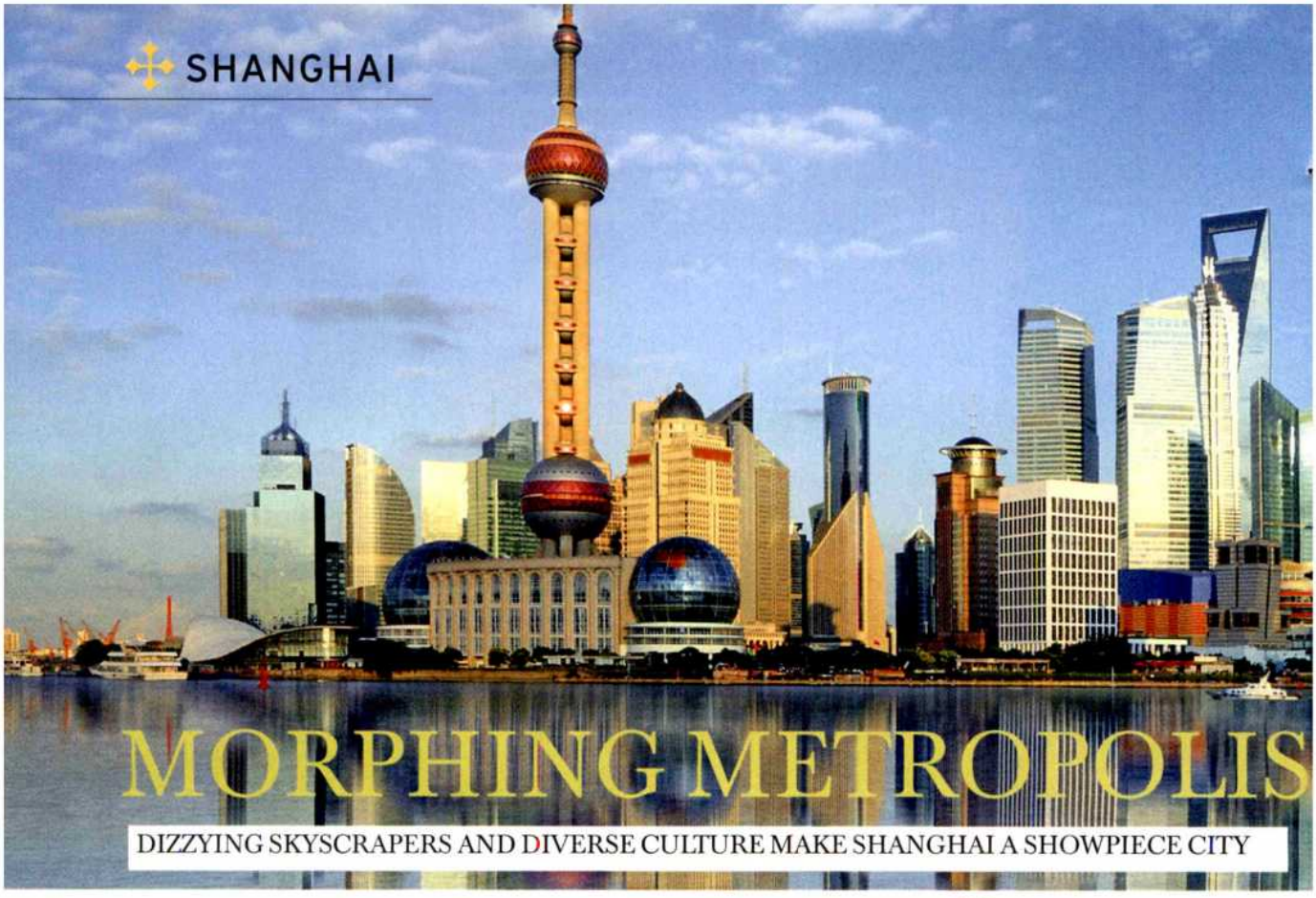
FAIRMONT BAB AL BAHR Offers a business centre with secretarial services. For large events, there's a 11,500 sq ft ballroom and six meeting rooms. The private beach and swimming pool are ideal for post-work sundowner sessions.
5★; ₹8,773 onwards

ALOFT Offers two meeting spaces: Splash Garden, hosts up to 1,500 as well as Tactic which consists of two boardrooms. It is also the only hotel attached to Abu Dhabi National Exhibition Company, one of the largest venues in the Middle East.
5★; ₹29,243 onwards

LE ROYAL MERIDIEN Considered the town's top business address: first class service and facilities *5★, ₹6,580 onwards*

HILTON INTERNATIONAL Located right next to the Corniche, close to the Marina Mall and just a short cab ride from the Financial District, it is the perfect destination for business-cum-leisure travellers.
5★; ₹5,878 onwards





MORPHING METROPOLIS

DIZZYING SKYSCRAPERS AND DIVERSE CULTURE MAKE SHANGHAI A SHOWPIECE CITY

BY ANUSHREE BASU-BHALLA

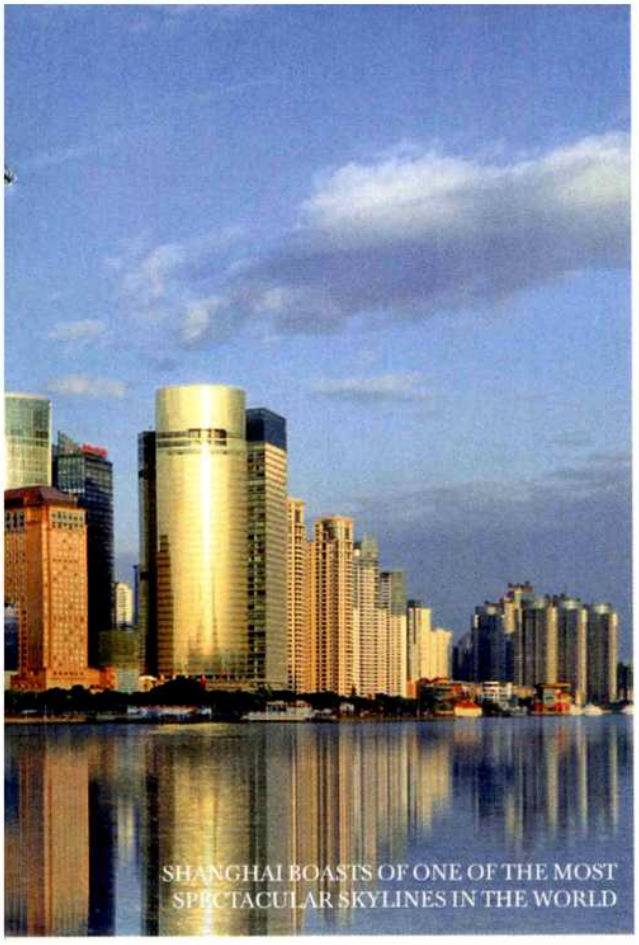
Fuelled by the success of the 2010 World Expo, Shanghai is a formidable name in the international meetings industry. It is now gearing up for the next 2013 ICCA (International Congress and Convention Association) conference that will further cement its position. Dynamic both by nature and necessity, Shanghai is a phenomenon–life here rides on a network of zooming freeways and fastest rails. The city now sits prominently at the centre of the Holy Trinity of business hubs–Beijing, Guangzhou and Shanghai–in Mainland China. By the turn of the millennium, Shanghai emerged at the helm as a global city with a large number of top-level international conferences and exhibitions opting for Pudong–Shanghai's sci-fi district–as their destinations. Key events in the past few years include the IT&CM China 2011, World Expo 2010, 2007 Special Summer Olympics, the annual Formula One Chinese Grand Prix. The city also hosts large number of tourists or business delegates with ease. The biennial Die & Mould China Exhibition, attracted more than 100,000 visitors since 2002 and Bauma China International Trade Fair attracted 113,000 trade visitors in 2008. More recently, the World Expo in 2010 had 73 million guest from 180 countries.
The sheer scale of Shanghai is bound to overwhelm everyone from business to leisure travellers.

THE BUND 18, WINNER OF THE UNESCO ASIA PACIFIC HERITAGE AWARD, IS A STUNNING EXHIBITION SPACE IN SHANGHAI

IMAGE COURTESY INTERNATIONAL ASSOCIATION OF PORTS AND HARBOURS

CONVENTION

Shanghai has developed key support services to facilitate the organisation and execution of MICE events in the last decade. There are more than 100 destination management companies. The exhibition and convention space in Pudong totals about 220,000 sq mt, about 77 per cent of the city's overall capacity. The major MICE venues include one of China's biggest exhibition venues Shanghai New International Expo Center, Shanghai Science Museum and Shanghai International Convention Center. A new convention centre, costing $3.5 billion, in Hongqiao district is the next highlight. It is the largest of its kind in the world, offering 500,000 sq mt of exhibition and convention space. The venue is expected to be completed by 2015.



SHANGHAI BOASTS OF ONE OF THE MOST SPECTACULAR SKYLINES IN THE WORLD

A WELL-APPOINTED ROOM AT THE FOUR SEASONS SHANGHAI

HOTELS

Many hotels in Shanghai boast meeting and function rooms with good technical support services such as audio/video recording systems, state-of-the-art audio visual equipment, high level security and in-house event coordinators.

PARK HYATT SHANGHAI Meetings held at the World's second highest hotel are bound to be special. Spanning the 79th to 93rd floors of the towering Shanghai World Financial Centre, this magnificent hotel boasts glorious views, impeccable service, and top-notch business facilities. 5★; ₹16,100 onwards

KERRY HOTEL PUDONG A name in the brand Shangri-La, the 31-storey Kerry Hotel, Pudong, Shanghai, provides an environment that offers a work and life balance to its business and leisure guests. 5★; ₹13,000 onwards

HILTON SHANGHAI HONGQIAO Conveniently located in the rapidly developing Hongqiao section of Minhang district in Shanghai, this affordable-luxury hotel is just 15 minutes away from Shanghai Hongqiao Airport. 5★; ₹7,690 for singles, onwards

FOUR SEASONS HOTEL SHANGHAI The 37-storey hotel with 439 rooms is located in the heart of downtown Shanghai. It has several business and meeting rooms, and a 7,427 sq ft ballroom that can accommodate up to 700 people. 5★; ₹13,000 onwards

ENTERTAINMENT: Nightlife hub Xintiandi gravitates between Zen-style chic restaurants dishing contemporary Cantonese cuisine and kitschy bars pumping out electro-dance music. For shopping and souvenirs, visit the 'Cultural Street' Fuzhou Road offering vintage books, music and art. Avid collectors can visit Dongtai Road Antique Market and pick porcelain, jade and bronze wares, calligraphy and paintings.

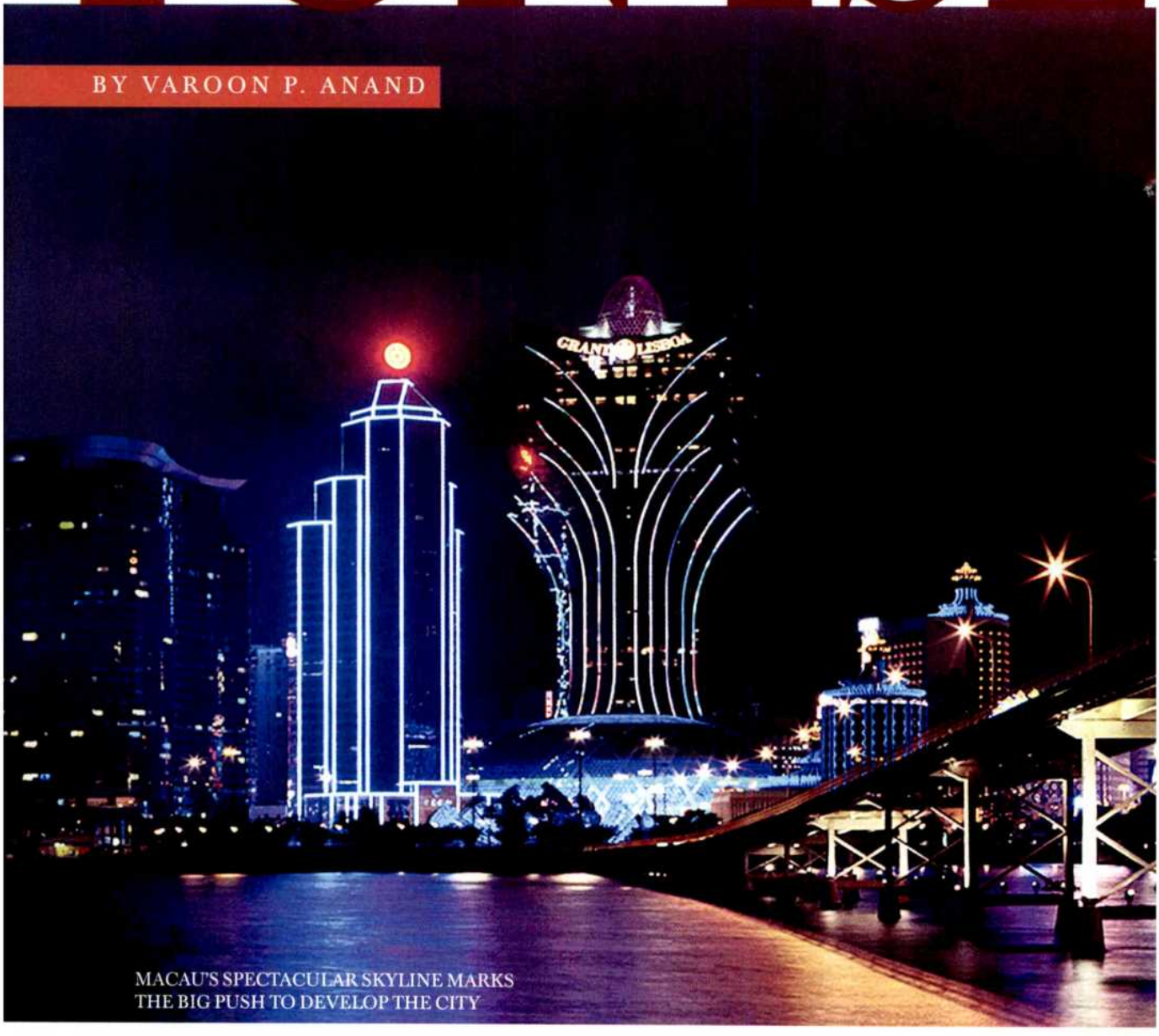
IMAGE BY ALEX NEEDHAM

CONNECTIVITY

One of Shanghai's key attractions are the two international airports connected by high-speed rail links. From New Delhi, fly to Shanghai Pudong with China Eastern, Air India, Cathay Pacific, Dragonair, or China Southern. Travel time between most major areas in Shanghai usually takes only 15 to 20 minutes, thanks to the city's relatively compact nature and its many centrally located hotels.

FUN ISL

BY VAROON P. ANAND

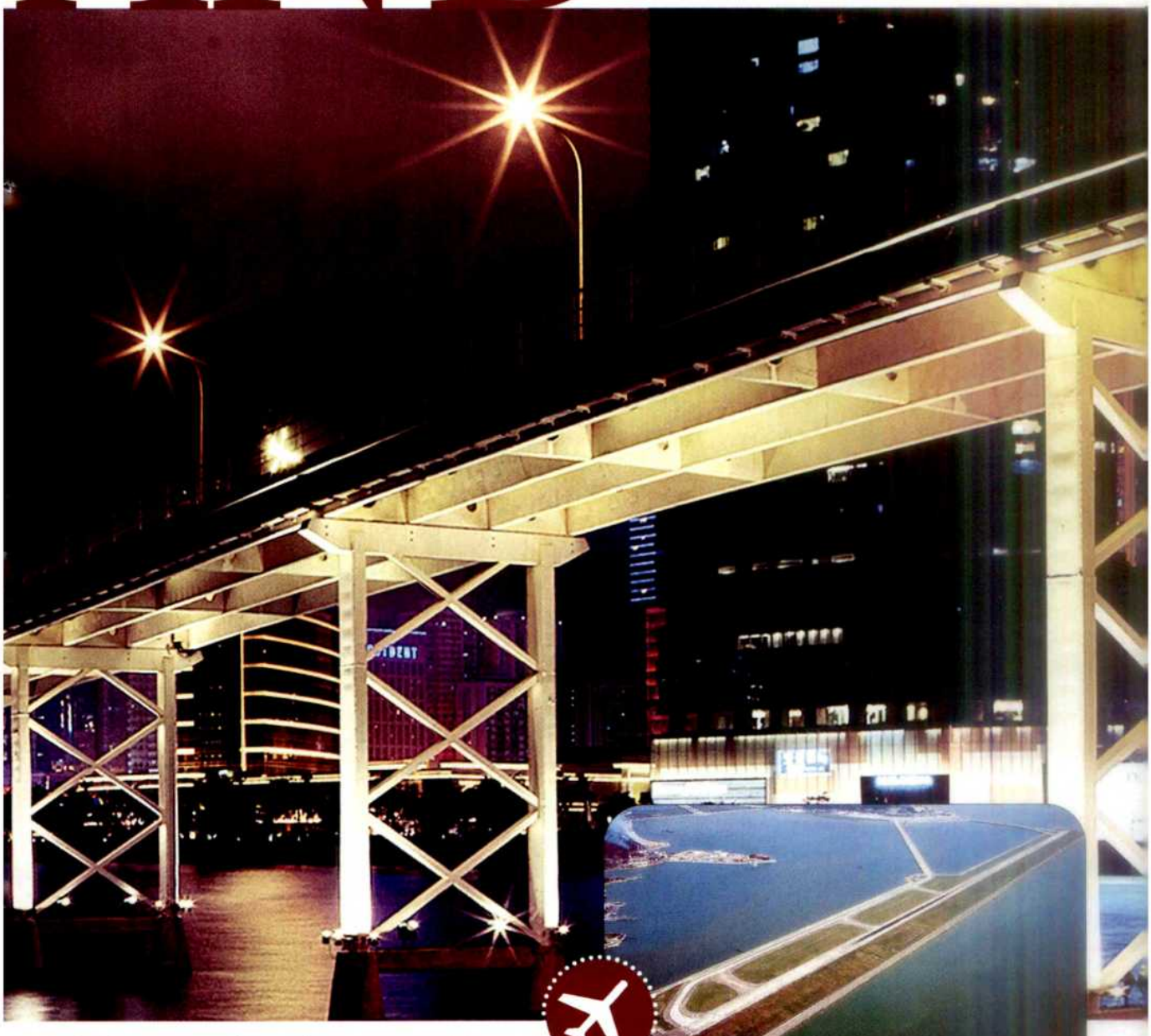


MACAU'S SPECTACULAR SKYLINE MARKS THE BIG PUSH TO DEVELOP THE CITY

After its return to Chinese rule in 1999, the Macau Special Administrative Region (SAR) government decided to diversify its economy and liberalised the gaming market with an aim to transform the territory into a centre of gaming, cultural events, conferences and exhibitions. Ever since, Macau's MICE and gaming industries have developed tremendously, driven by enormous integrated entertainment projects funded by huge amounts of investment capital from players like MGM Mirage, Wynn Resorts and Las Vegas Sands. In the first nine months of 2012, Macau hosted 728 MICE events and saw an increase of 29per cent in the total number of attendees from the previous year. In October

AND

NO PLACE IN THE WORLD HAS INVESTED IN MORE THAN ASIA'S HOTTEST MICE DESTINATION



2012, the Committee for the Development of Conventions and Exhibitions approved an additional two subsidies to cover the promotion and interpretation services for MICE events, as well as backing for logistical costs such as transportation and delivery services in Macau.

ENTERTAINMENT

Macau is positioning itself as the entertainment capital of Asia. Urban entertainment resorts, casino shows, nightclubs, concerts, exhibitions, opera shows, theatres, cinema

CONNECTIVITY

Macau International Airport is serviced by 19 airlines and is only a 45-minute ferry ride from Hong Kong International Airport, the world's fifth busiest airport. Direct flights from India to Macau are just over 5 hours of flight time, making it a great place for business travellers.

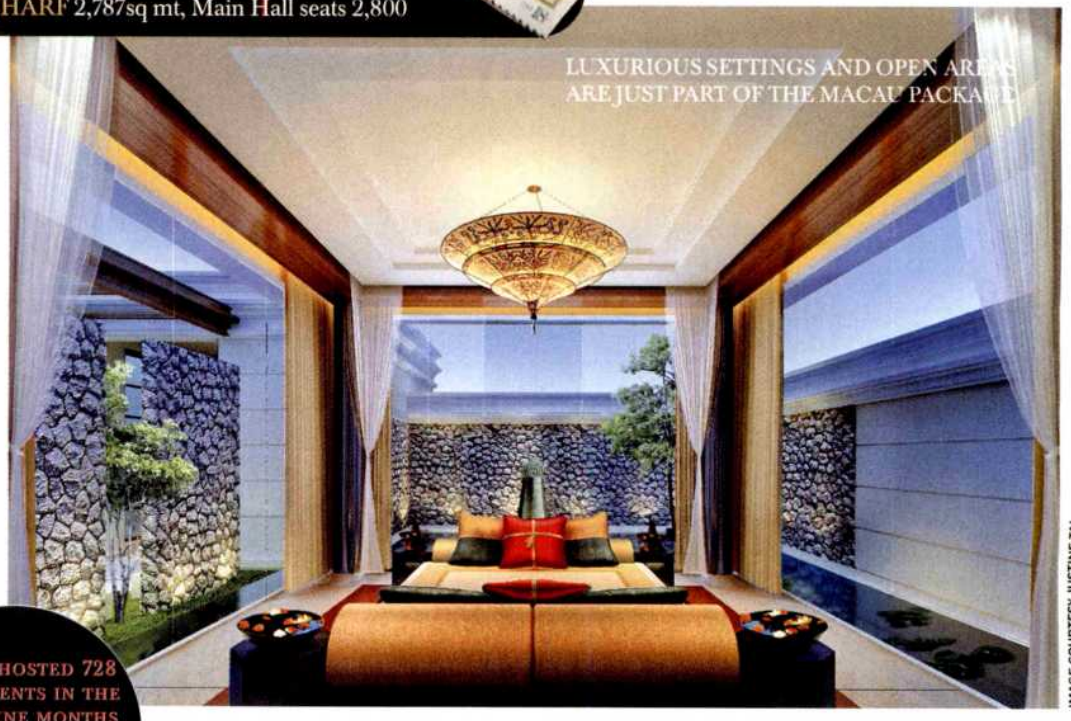
IMAGE COURTESY SHERATON MACAU

MICE VENUES

MACAU CULTURAL CENTRE 45,000 sq mt, Grand Auditorium seats 1,114 ; Small Auditorium seats 393

EAST ASIAN GAMES DOME 39,960 sq mt Arena seats 7,087; 3,000 sq mt, Convention Centre seats 2,000

FISHERMAN'S WHARF 2,787sq mt, Main Hall seats 2,800



LUXURIOUS SETTINGS AND OPEN AREAS ARE JUST PART OF THE MACAU PACKAGE

IMAGE COURTESY JUSTINE TAI

MACAU HOSTED 728 MICE EVENTS IN THE FIRST NINE MONTHS OF 2012 AND SAW A 29% RISE IN NUMBER OF ATTENDEES OVER 2011

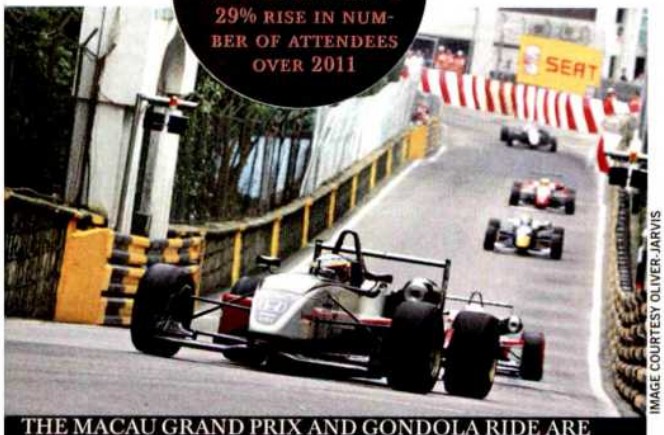


IMAGE COURTESY OLIVER JARVIS

THE MACAU GRAND PRIX AND GONDOLA RIDE ARE EXAMPLES OF ACTIVITIES FOR WORLD TRAVELLERS

IMAGE COURTESY VENETIAN HOTEL MACAU

and sports events such as the famous Macau Grand Prix in November make it a popular destination. For business visitors there's plenty in the way of immersion into Chinese culture with sessions in feng shui, tea drinking etiquette, Chinese calligraphy or tai chi.

The main attraction of Macau for downtime, naturally, is its burgeoning gaming industry best exemplified by the Venetian Macao Resort Hotel, sister property of the iconic Venetian in Las Vegas . This all-purpose location is Macau's most popular MICE location for team building activities.

HOTELS

The extensive development of luxury hotels, resorts and event facilities has put Macau firmly on the international map of venues for MICE.

GRAND HYATT: Comprises two wave-inspired towers within City of Dreams–the aquatic-themed entertainment resort on Cotai. 791 guest rooms and 15 individual function areas span almost 9,000 sq mt.
5★; *₹20,000 onwards*

THE VENETIAN: 3,000 business suites at 70 sq mt are among the largest in Asia. A range of dining and entertainment options makes it a premier location.
5★; *₹17.400 onwards*

WYNN: Conventions at Wynn Macau, combine 2,200 sq mt of flexible, multi-purpose meeting space, state-of-the-art facilities and entertainment.
5★; *₹12,000 onwards*

THE LISBOA: Located within a 10 minute walk from Macau Cathedral and New Yaohan Department Store and just minutes from the airport.
5★;*₹10,600 onwards*

BY CHUMKI BHARADWAJ

ASIA'S MELTING POT

HERITAGE, HISTORY AND HOSPITALITY; MALAYSIA SCORES ON ALL COUNTS

Image courtesy KLCC

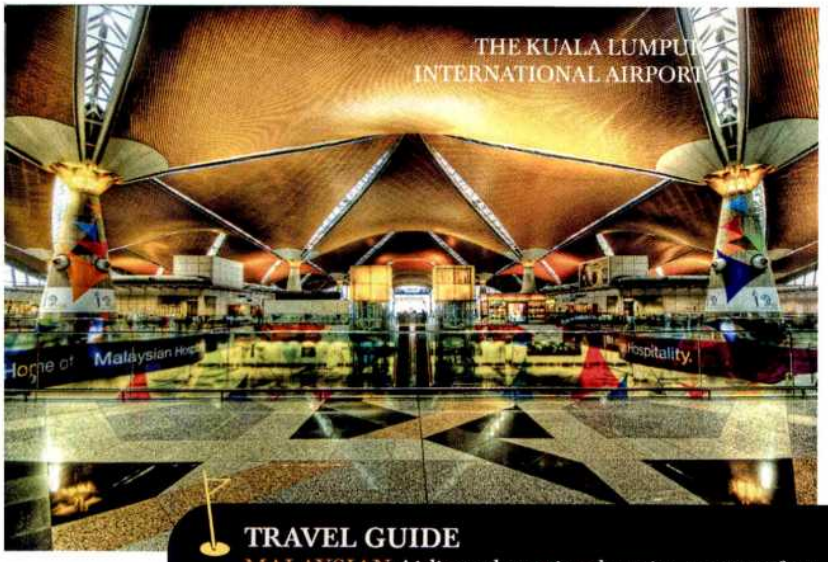
AERIAL SHOT OF THE KUALA LUMPUR CONVENTION CENTRE AT NIGHT

MEET & GREET

Kuala Lumpur Convention Centre (KLCC) is designed to global standards, and shares space with the Petronas Twin Towers. Favoured for exhibitions, conferences, meetings, seminars and events, it has two auditoriums, exhibition space, a ballroom, conference hall, banquet hall and 20 meeting rooms.

Malaysia may not boast the robotic precision of Singapore or swear by the gleaming veneer of Hong Kong's cosmopolitan façade but it is a safe and friendly country that serves up a smorgasbord of unique contrasts. If Kuala Lumpur is characterised by its Moorish, Moghul, Malay and Victorian architecture punctuated with monster billboards and sky rails, Genting Highlands is an integrated resort development comprising hotels, casinos and a theme park in Pahang, perched high on the peak of Gunung Ulu Kali at 1,800 metres.

MALAYSIA


THE KUALA LUMPUR INTERNATIONAL AIRPORT

TRAVEL GUIDE

MALAYSIAN Airlines, the national carrier, operates four flights a week from Mumbai and Delhi and has convenient connections from other hubs such as Chennai, Hyderabad and Bangalore as well.

What's better? This melange of the classic and the contemporary actually proves very cost effective. For instance, it's easy to procure a suite here for the same price that you would get a standard room in other parts of the world. It's well connected globally and also offers state-of-the-art commuting systems within the country. With world-class convention centres, hotels and infrastructure, Malaysia is well-equipped to service any magnitude of event. No wonder then that the country ranked 23rd in the world, based on the International Congress and Convention Association's statistical preview of association meetings held in 2006

HOTELS

TRADERS HOTEL is located in the heart of the Kuala Lumpur City Centre and offer direct access to the world class Kuala Lumpur Convention Centre, Suria KLCC and the famous Petronas Twin Towers–the ultimate business, convention, shopping and entertainment hub of KL.
5★; ₹6,374 onwards.

THE G CITY CLUB HOTEL
Well Located with easy access to the city's business, commercial and embassy districts; it is adjacent to the Ampang Park LRT station, and is within walking distance to KLCC, famous for its shopping and the Petronas Twin Towers.
5★; ₹6,471 onwards.

THE CONCORDE HOTEL is located in the golden triangle of Kuala Lumpur, a bustling busi-

SINGLE ROOM IN A DOWNTOWN HOTEL

THE CASINOS AT GENTING ARE A REGULAR DRAW

GEN

Since 1971, Genting Highland has remained the only legal gambling outfit in Malaysia, dotted with kitschy architecture, bright lights and an overrun theme park. While the casinos are central to Genting, the theme park also provides fun rides and activities, while the First World Plaza is a colourful shopping Centre wit a collection of restaurants and trendy outlets.

CONNECTIVITY

Nestled near the border of Selangor within an hour's driv from KL (about 35km), Genting is conveniently connected to KL by the Karak highway and major trunk roads, along with a cable car service from the satellite town of Gohtong Jaya.

FACILITIES

Genting International Convention Centre, spread over 1,50,000 sq ft, is Malaysia's largest convention centre, comprising a grand

TING

ballroom and 18 meeting rooms with an aesthetically designed spacious foyer and , a high-tech business centre.

HOTEL

The sprawling Genting Highlands Resort features six hotels (Genting Hotel, Highlands

Hotel restricted to Genting WorldCard members and casino guests, Resort Hotel, First World Hotel (the largest hotel in Asia with over 6,000 budget rooms), Theme Park Hotel (easy access to the Outdoor Theme Park) and Awana Genting Highlands Golf & Country Resort) with over 10,000 guest rooms, 90 dining outlets, 80 stores, indoor and outdoor theme parks with more than 50 fun rides, international shows and concerts by renowned performers, gaming facilities and much more. Ride the Genting Skyway–the longest cable car in Southeast Asia–for awesome panoramic views.

ness Centre with major tourist attractions. It is also a 10-minute drive away from the Putra World Trade Centre and within walking distance from the Malaysia Tourism Centre (MTC), Suria KLCC Shopping Centre, Petronas Twin Towers and Kuala Lumpur Tower. 4★; *₹4,563 onwards.*

THE CORUS HOTEL For events and meetings, the hotel's modern Ballroom and seven meeting / function rooms host small and large groups comfortably. 4★; *₹4,152 onwards.*

THE GRAND HYATT the hotel is business friendly and is ideally located within walking distance of Kuala Lumpur Convention Centre, Petronas Towers, and Suria KLCC Shopping Centre. It has an event space consisting of a conference centre, banquet facilities, conference/meeting rooms, and a ballroom. 5★; *₹12,324 onwards.*

THE SKYBAR IN KUALA LUMPUR WITH A VIEW OF THE PETRONAS TOWERS

ENTERTAINMENT

Malaysia offers a gob smacking variety of activities and experiences to make leisure even more enviable. Go from boardrooms to pristine beaches, from presentations to theme parties (Malacca nights, Pirates party, Colonial Nights, Jungle Fever, Beach Bashes), from annual plans to adventure sports; all within comfortable and easy driving distance. Of course, you can always start simple with an easy walk on the Skybridge at the Petronas Towers or slip into shopping mode for some easy retail therapy at the mega malls. There are endless ways to experience Malaysia's rich heritage, rainforests, beaches, and quaint markets. Adventurous spirits can always get their adrenaline fix by parasailing, scuba diving, windsufing, white water rafting to caving to, mountain climbing, trekking in the jungles and many other outback adventures like flying a plane. In fact, if your offsite is timed right, you can even enjoy some of the most exciting motor sporting events here such as the grand Petronas Malaysian Grand Prix and the Japanese Grand Touring Car Championship.

ADVERTISEMENT

more BlueBiz : A programe with value for money

Through BlueBiz, a loyalty program being jointly offered by Air France, KLM and Delta Airlines, small and medium sized companies can now save more from their travel budget by earning Blue Credits on every qualifying flight taken. These can be redeemed for reward flights, upgrades and excess baggage.

The expanding small and medium business market continues to play an important role in the Indian economy as they are responsible for driving innovation and competition in many economic sectors of the country. Air travel is a crucial component in the growth and success of small and medium-sized enterprises (SMEs) in India and managing that component efficiently and effectively is important.

While airfares have increased in recent years, there are rewards programs and complimentary services that can take some sting out of business travel. Air France, KLM and Delta Airlines have recently teamed up to provide small and medium-sized companies an option to save on their travel budget with a loyalty program called BlueBiz. The high number of small businesses in India means there is potentially a significant pool of companies who can benefit from such a customized corporate loyalty program.

A free program, BlueBiz helps reduce the company's travel budget by enabling them to accumulate and redeem Blue Credits for reward tickets, upgrades and excess baggage. The Blue Credits earned on each flight depends on the destination and class of travel.

ENROLLMENT TO THE PROGRAM

The company needs to enroll to the program by filling up an online form on the airline's websites www.airfrance.in or www.klm.com. They are assigned a unique account number which needs to be inserted in all the booking of their employees. This is important to ensure automatic credit of Blue Credits in their account.

As soon as the company accumulates sufficient Blue Credits, they can redeem them for free tickets. The redemption is done online with the BlueBiz reward booking tool. The company could use these accumulated Blue Credits to reward their employees or for business travel to reduce the travel cost.

Reward tickets can be booked in just a few clicks. It is simple and efficient .The account administrator selects the origin, destination, class of travel and the dates of travel, the booking tool automatically gives the most economical option with a combination of Air France, KLM and Delta flights in the group's vast global network and automatically deducts the Blue Credits equal to the full value of the ticket. These Blue Credits can be redeemed for excess baggage and upgrades as well.

One Blue Credit is worth one Indian rupee. This means that Blue Credits are as good as cash. Passengers travelling on BlueBiz reward tickets can easily make changes in their travel plan as per the fare rules of their ticket and also have an option to pay modification fee using their Blue Credits!

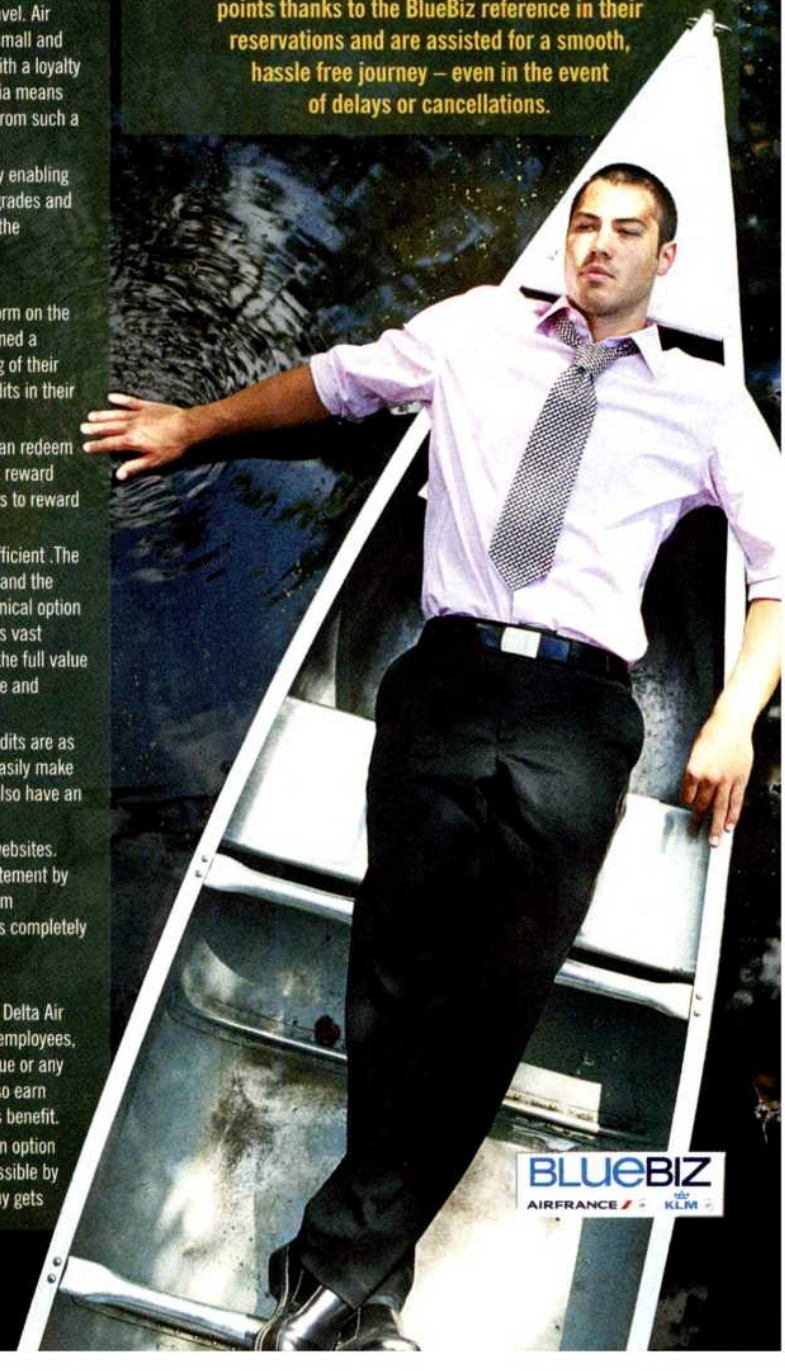
BlueBiz accounts are easily accessible online 24x7 on the airline's websites. The account administrator can at any time consult their account statement by logging in to their BlueBiz account and also request for rewards, claim uncredited points and update their contact information. This space is completely personal and secure.

OTHER BENEFITS

Every time the company books a business trip with Air France, KLM, Delta Air Lines or the partner airlines, the company earns points. Company's employees, who are members of the group's frequent flyer programme, Flying Blue or any other Frequent Flyer program of the program partner airlines, will also earn Miles at the same time. Hence both the company and the employees benefit.

Based on the type of travel and need of the company, there is also an option of an upfront discount in addition to earning Blue Credits! This is possible by opting for the BlueBiz Plus program. Under this scheme, the company gets the benefit of availing special upfront discounts to the destinations of their choice, and simultaneously earning Blue Credits in their BlueBiz account for all the company's travel.

BlueBiz business travellers also benefit from the group's innovative 'Corporate Recognition System' whereby they are recognized through all contact points thanks to the BlueBiz reference in their reservations and are assisted for a smooth, hassle free journey – even in the event of delays or cancellations.



BY PIERRE MARIO FITTER

SAWADEE KA!

WHERE BUSINESS DEALS AND THE EXOTIC EAST COME TOGETHER

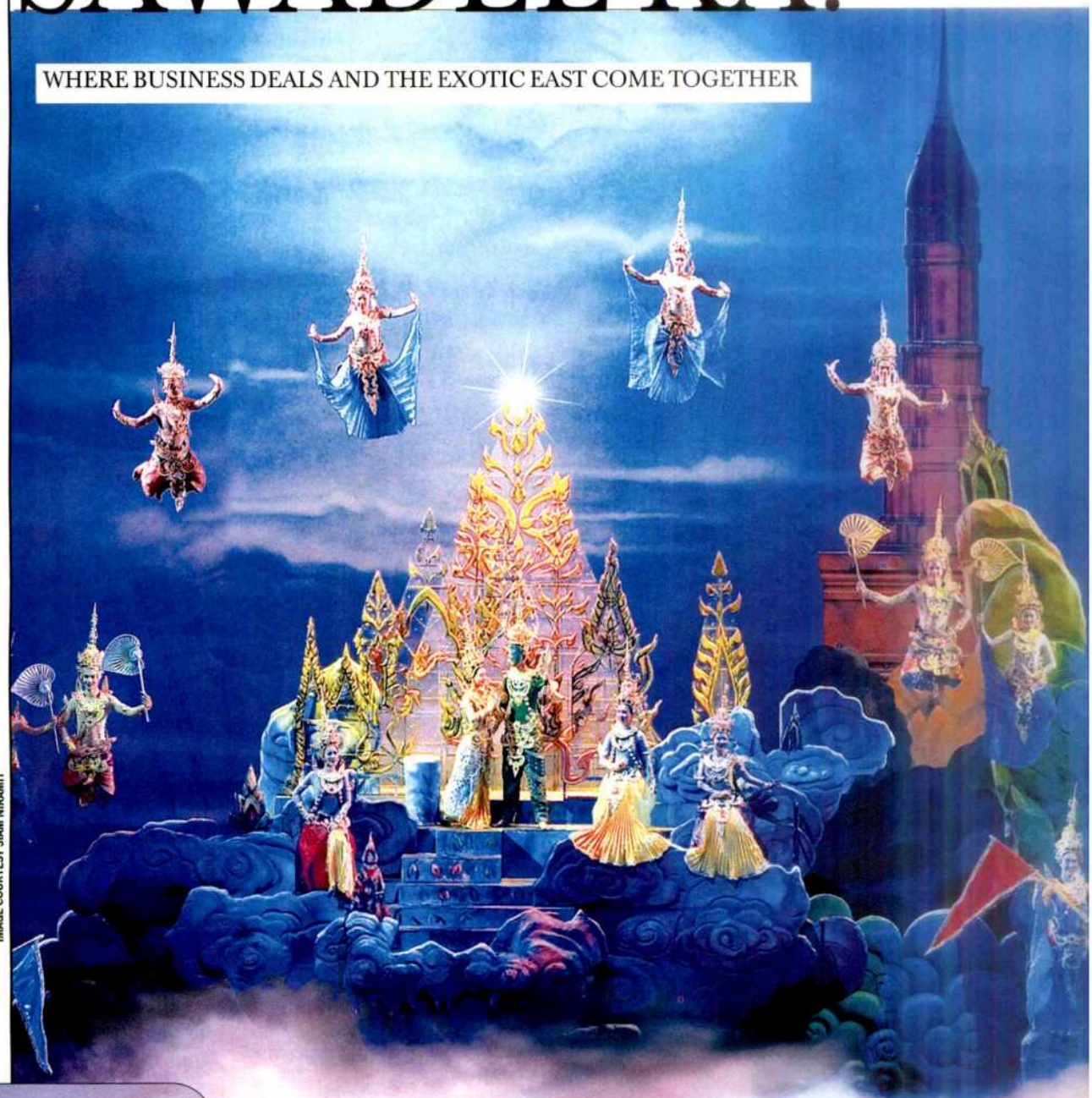


IMAGE COURTESY SIAM NIRAMIT

THE BREATHTAKING SIAM NIRAMIT CULTURAL SHOW IN BANGKOK

CONNECTIVITY

Suvarnabhumi Airport's new terminal is a marvel of Thai design. Located 25 kilometres outside Bangkok, it is very well connected to India. Thai Airways, Air India, Jet Airways, Cathay Pacific, Phillipine Airlines, Indigo, Air Austral and Bangkok Airways ensure daily, round-the-clock connectivity to all Indian metros.

Thailand's reputation as a favourite with foreign travellers is not undeserved. A warm, friendly people, gracious hospitality and excellent value for money make it an attractive business proposition. What's more, the country offers a range of hotels starting from budget single-room options for business incentive and conferences to high-end luxury villas for board meetings.

Thailand also makes it very easy and cost-effective to get into the country. Indians can pick up a 15-day visa on arrival and once you step out of the airport, it takes just 15 minutes to hit Bangkok on the new 'Skylink'. Combine all this with Thailand's famous food and entertainment options and you are sure never to run short of

IMAGE COURTESY QUEEN SIRIKIT NATIONAL CONVENTION CENTER

CONVENTION CENTRES

BITEC The Bangkok International Trade and Exhibition Centre can host 20,000 delegates and 100,000 visitors per day

QSNCC The Queen Sikirit National Convention Center has 20,000 sq mt of space and can cater for 8,000 attendees.

BCC at Centara Grand Hotel, can scale for events between 10 and 6,000 delegates and is located in the heart of the Central Business District.

things to do.

ENTERTAINMENT

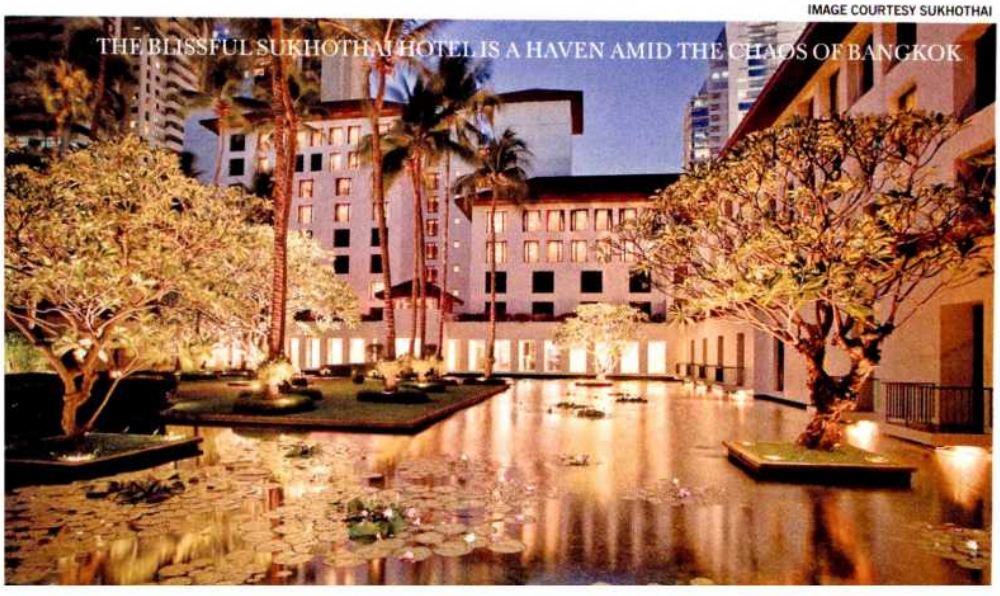
You will never be bored in Bangkok. Whether it is the extensive dining options, inexpensive shopping, endless entertainment hotspots, or the usual tourist traps, there is always something to be done.

For a day off, start with one of the many Wats (temples). Choose from Kalayanamit, Suthat or Benchamabophit.

After hours, head over to Club Culture, Narcissus, 808, or Q Bar to hear top DJs spin their mixes. For a quieter evening in a more elegant setting, hire a luxury yacht for a dinner cruise down the Chao Phraya.

Pick up some sharp business threads at one of Sukhumvit's many Thai-Indian tailors. A high-quality bespoke suit 'set' can be had for as little as $150 in just three days. Finally, don't forget to dig into

IMAGE COURTESY SUKHOTHAI



THE BLISSFUL SUKHOTHAI HOTEL IS A HAVEN AMID THE CHAOS OF BANGKOK

PHU

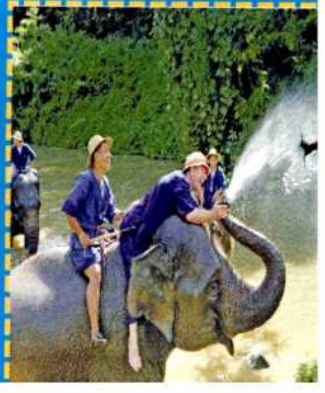
Thailand's largest island is often dubbed the Pearl of the Andaman. Limestone cliffs, white beaches and tranquil bays make it the busiest and most visited province. A glut o world-class resorts and hotels cater to all kinds of travellers. All these combine to make Phuket a great option for company incentives, small meeting and offsite conferences.

CONNECTIVITY

Since it is about 800 km south of Bangkok, it is advisable to travel by air. Bangkok Airways and Thai Airways fly daily from Bangkok to Phuket.

ENTERTAINMENT

Phuket is ideal for companies who want to give their employees a good time. The gorgeous Phi Phi islands are a mere 45 minutes away. Also try Kata beach and Patong beach for water sports. The latter is also



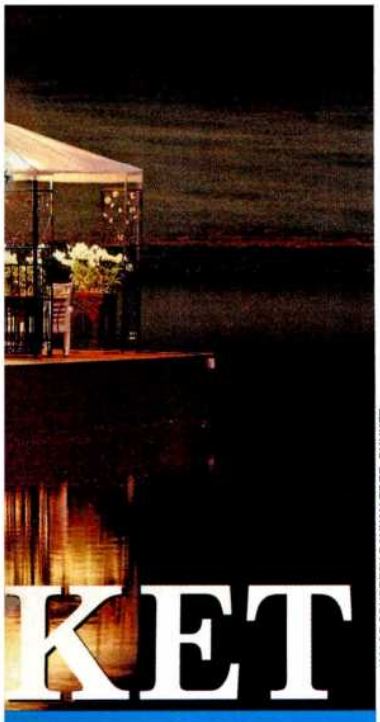


IMAGE COURTESY BANYAN TREE, PHUKET

KET

home to several restaurants that offer a range of cuisines. The 2 hour 45 minute Phuket Submarine tour takes upto 50 passengers around the island. At night, unwind at Phuket FantaSea show that features acrobats, magicians and similar circus acts.

HOTEL

The Shore at Katathani

The Shore at Katathani is situ-

ated on the far end of Kata Noi Beach and is approximately 50 minutes from Phuket Airport. This seafront property offers villas on the beach as well as a small meeting room.
5★; ₹25,000 onwards

Trisara Luxury Resort

Another beach front property with stunning views of the bay, guests can choose from villas or private residences. It is just 15 minutes from Phuket airport, making travel easy.
5★; ₹48,000 onwards

some classic local fare at Nang Leon market.

HOTELS

Sheraton Grande

With its central location and direct connection to the Skylink and metro system, this is a good choice for those attending conferences or conventions in and around Bangkok.
5★; ₹15,300 onwards

Four Seasons Hotel

Another centrally located option, the hotel offers a high-end option for board meetings and corporate incentives.
5★; ₹14,000 onwards

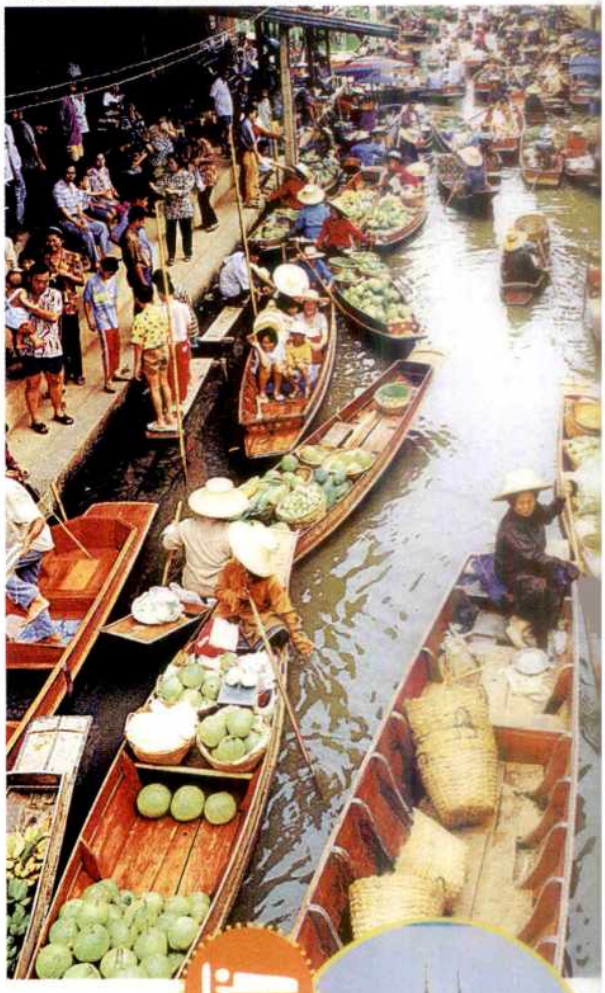
Sukhothai

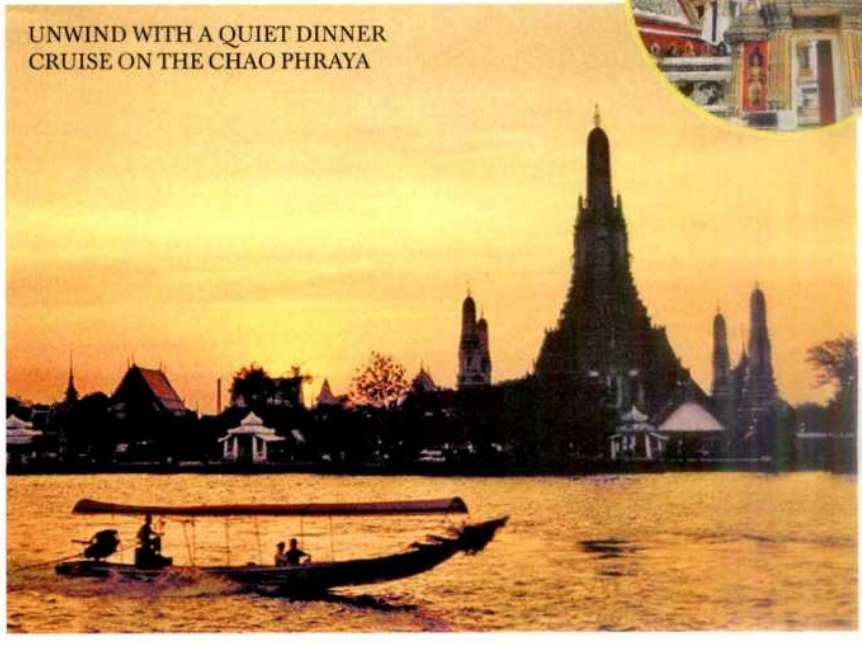
Easily one of Bangkok's most beautiful properties, this too is located right near the business and entertainment districts making it an attractive option for business trips, meetings and conventions.
5★; ₹13,000- onwards

Mandarin Oriental

With its iconic location along the banks of the Chao Phraya, this hotel can host upto 1,000 delegates for an evening cocktail event or upto 700 delegates for a company conference.
5★; ₹24,000 onwards

IMAGE COURTESY BANGKOKFLOATINGMARKET.COM





UNWIND WITH A QUIET DINNER CRUISE ON THE CHAO PHRAYA

RISING STAR

CHINA'S HIGHLY IMPORTANT MANUFACTURING AREA CONTINUES TO DOMINATE THE MICE INDUSTRY

BY VAROON P. ANAND

IMAGE COURTESY U OF BIRMINGHAM GUANGZHOU

ONE OF CHINA'S MOST DEVELOPED CITIES IS ALSO HOME TO A VIBRANT SECTION OF ITS ECONOMY AND SERVICES

IMAGE COURTESY CEEDI

CONNECTIVITY

The Guangzhou Baiyun is China's second busiest airport, with 48.3 million passengers travelling through in 2012, a rise of over 7 per cent. Guangzhou's mayor has promised to add seven new metro lines and two more runways this year.

Increasing government support and aggressive marketing has lead to the flourishing of one of China's most developed cities into a haven to house MICE. It's also home to the oldest, largest, and all types of trading products inclusive exhibitions in China, the China Import and Export Trade Fair, which facilitates over $15 billion of business every year and gives Guangzhou over 55 years experience in organising large scale business events.

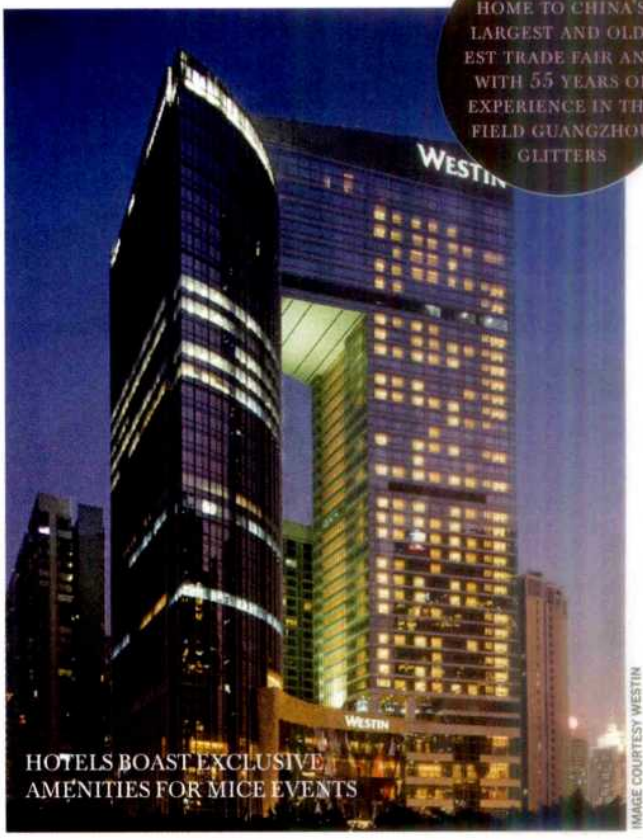
Customs free exhibition areas and proximity to Macau and Hong Kong have done much to boost the fortunes of Guangzhou. The Guangzhou-Macao cooperation task force signed three agreements last month, including a letter of intent for a protocol for joint work on five MICE projects to be held in 2013.

While Guangzhou's main segment will always be trade shows but as a gateway to the Pearl River Delta, it's banking on the renewed hunger for new MICE destinations and experiences to catapult it onto a global stage. Hotels are implementing new facilities and services like complimentary team building activities, complimentary turn down gifts with company logo for all participants, and free mobile phone and local calls to lure more international business travellers. Of course, being home to the country's largest commodities market guarantees the continued growth of Guangzhou.

ENTERTAINMENT

The enthusiasm of a youthful city can be an inspiring experience for everyone while still offering world class dining and shopping options. A popular team-building exercise is the 9 hour Li River cruise which includes a shopping trip in Yangshuo's, a bike ride and a boat ride with spectacular views of crowded towering peaks along the riverbank. A prime downtown shopping area is the Commercial Pedestrian Street with 238 stores all within a 800m walk, as well as the Beijing Shopping District. A jaunt through Herbal Medicine shops in Shamian will spur creativity with exotic ingredients available only here. And don't overlook the Chime-Long Paradise, the world's largest amusement park.

HOME TO CHINA'S LARGEST AND OLDEST TRADE FAIR AND WITH 55 YEARS OF EXPERIENCE IN THE FIELD GUANGZHOU GLITTERS



HOTELS BOAST EXCLUSIVE AMENITIES FOR MICE EVENTS

IMAGE COURTESY WESTIN

HOTELS

Heavy investment in building quality workforce, nifty business friendly services and years of experience shine big in Guangzhou's hospitality industry.

THE HILTON BAIYUN: Enjoy floor to ceiling windows in each executive suite, and take in breathtaking views of Baiyun mountain.
5★; *₹5,000 onwards*

SOFITEL: Views of the glittering Tianhe commercial district, with plenty of shopping options and three restaurants, including Guangzhou's most highly rated Japanese restaurant, Robata Bar and Grill.
5★; *₹7,425 onwards*

RITZ-CARLTON: Renowned for impeccable service and facilities with a view of the river, gourmet global cuisine in 6 in-house restaurants.
5★; *₹17,000 onwards*

SHANGRI-LA: Offering the most direct access to all the sights in town, the International Convention center, train and bus stations and with 8 in-house restaurants.
5★; *₹11,300 onwards*

BUSINESS HOTEL ABOUND IN THE JEWEL OF THE ORIENT

IMAGE COURTESY FOREIGNERCN

MICE VENUES

PAZHOU COMPLEX: 160,000 sq mt indoor area, 22,000 sq mt outdoor area, 16 halls
JINHAN EXHIBITION CENTRE 25,000 sq mt , 3 halls, 8m ceiling height,
HUACHENG EXHIBITION CENTRE 80,000 sq mt, 40,000 sq mt main hall
POLY WORLD TRADE CENTRE 92,300 sq mt , 28,700 sq mt indoor area, 12m ceiling height

IMAGE COURTESY HILTON

THE SAFE BET

DECADES OF EXPERIENCE WITH MICE EVENTS MAKES THIS CITY AN EASY CHOICE

BY PIERRE MARIO FITTER

SINGAPORE'S DIVERSE ATTRACTIONS AND STRONG ECONOMY MAKE IT A GREAT PLACE TO DO BUSINESS FOR FOREIGNERS

It is one of Asia's most connected and modern cities and has literally decades of experience hosting MICE events. In fact, the Singapore Association of Convention and Exhibition Organisers and Suppliers was formed way back in 1979 to help organise and nurture the city's then-promising MICE industry. All these factors make Singapore a natural choice for anyone planning anything from a last-minute board meeting to a 10,000 delegate convention that requires months of planning and logistics. Besides this, Singapore has a hassle-free visa process for bonafide businessmen and its glut of hotels make options for pain-free stay. If that's not enough, the city is literally teeming with after-hours attractions and dining options.

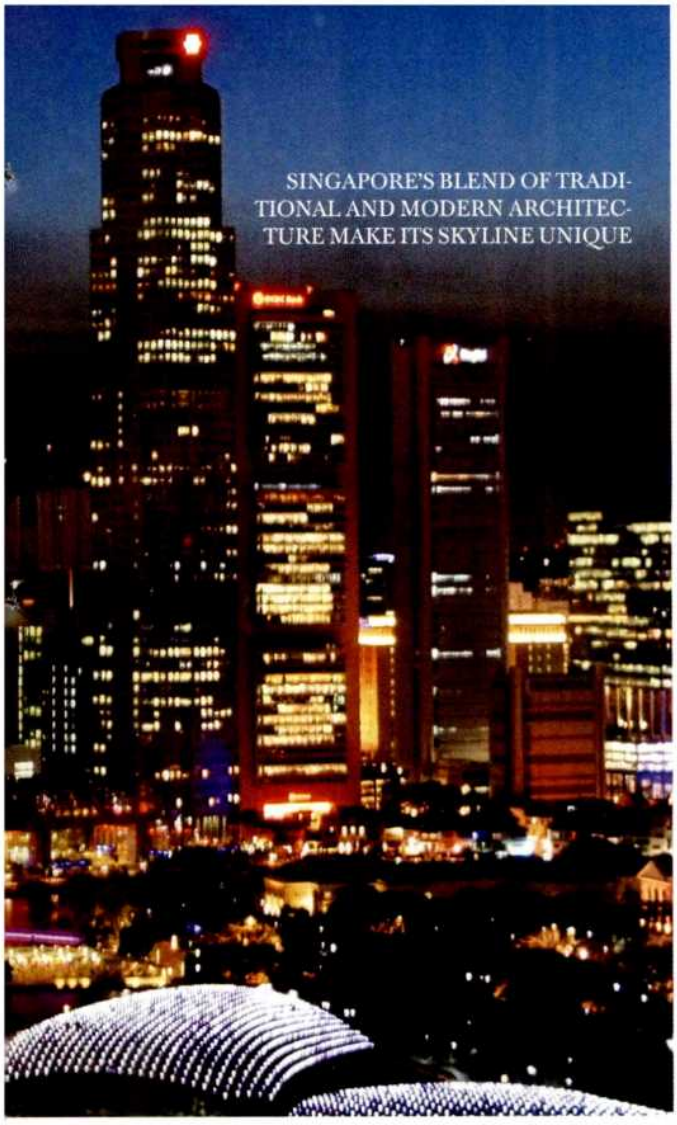
ENTERTAINMENT

With few natural wonders to attract tourists, Singapore has painstakingly set about creat-

IMAGE COURTESY CHANGI AIRPORT SINGAPORE

CONNECTIVITY

Changi Airport has routinely ranked as one of the best airports in the world in terms of passenger comfort and amenities. It is highly connected to every major Indian city with daily flights out of Mumbai, Delhi, Chennai and Bangalore. A number of airlines ply this route including both Singapore Airlines, Air India and Jet Airways. Low-cost carriers include Indigo, Air India Express, SilkAir and Tiger Airways. These ply limited routes.

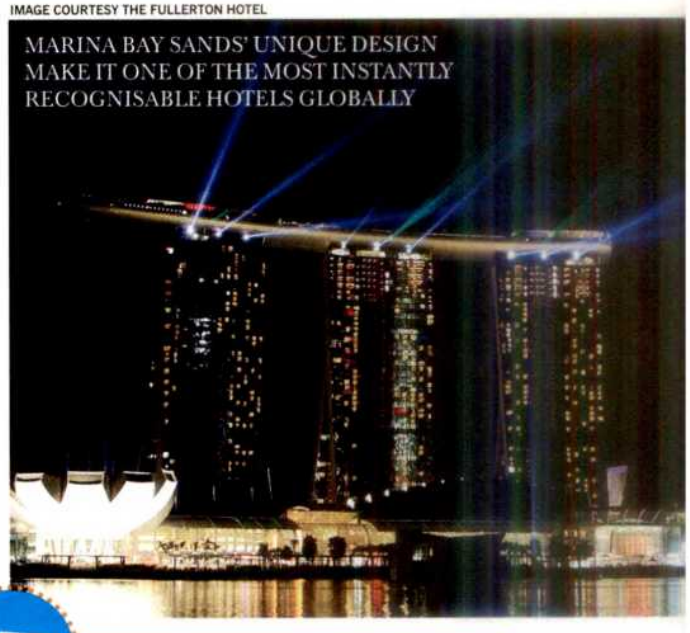


SINGAPORE'S BLEND OF TRADITIONAL AND MODERN ARCHITECTURE MAKE ITS SKYLINE UNIQUE

ing a haven for business travellers who want to let their hair down after work. Sentosa Island is perfect for a day at the beach or a leisurely round of golf. If you have children, visit the Night Safari, Marine Life Park and Universal Studios Singapore theme park. Looking for some nightlife? Head to either Clark Quay, Esplanade or the Central Business District (CBD) with their many bars and restaurants. For more robust flavour, head to either Serangoon Gardens Food Centre or Maxwell Road Hawker Center where scores of food stalls serve a variety of cuisines. Shoppers can choose from 5,000 top-of-the-line brands at Orchard Road or pick more traditional curios in China Town, Little India and Arab Street.

After decades of hosting innumerable conventions, exhibitions and meetings, Singapore can easily pull off events of any size without a hitch. The Sands Expo and Convention Center at Marina Bay Sands hotel has 250 meeting rooms and can fit upto 45,000 delegates and 2,000 exhibition booths, making it the largest facility in south-east Asia. The Suntec International Convention and Exhibition Center on Raffles Boulevard is the most centrally-located. A recent $146-million investment has upgraded its infrastructure. Singapore Expo, located east of the city has 123,000 sq mt of indoor and outdoor space. It hosts six million visitors and over 600 events each year. Finally, Resorts World Convention Center on Sentosa Island promises a "wow factor" with a 6,000 sq mt pillarless room that fits more than 6,500 people theatre-style.

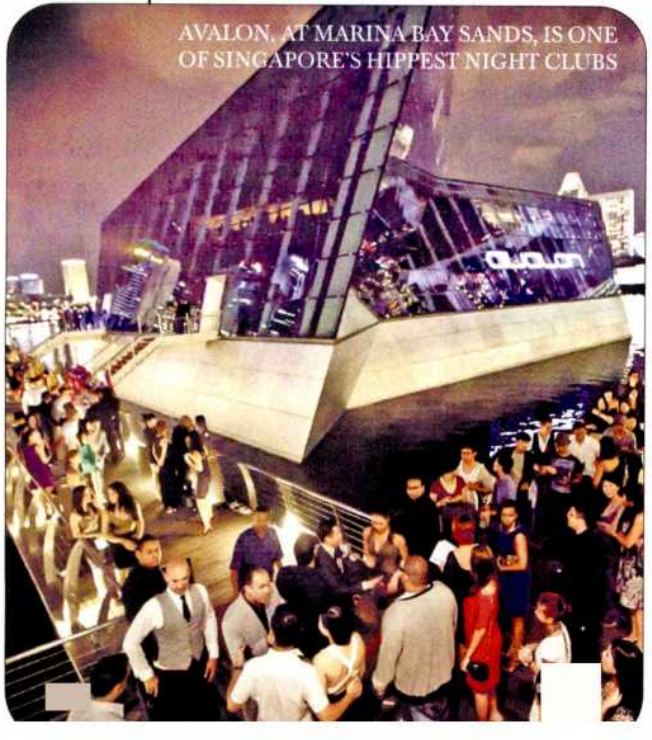
IMAGE COURTESY THE FULLERTON HOTEL



MARINA BAY SANDS' UNIQUE DESIGN MAKE IT ONE OF THE MOST INSTANTLY RECOGNISABLE HOTELS GLOBALLY

IMAGE COURTESY THE FULLERTON HOTEL

IMAGE COURTESY BJØRN CHRISTIAN TØRRISSEN



AVALON, AT MARINA BAY SANDS, IS ONE OF SINGAPORE'S HIPPEST NIGHT CLUBS

HOTELS

Marina Bay Sands
Its sky garden and three towers dominate the local skyline. Top-notch business facilities and great location.
5★; ₹15,700 onwards

Raffles Hotel
With its old world charm, and central location, it is no wonder business travellers enjoy staying at this hotel. Quaff a Singapore Sling, first served at the Long Bar here.
5★; ₹30,000 onwards

The Fullerton Bay Hotel
Yet another old-world property with a highly-recognisable facade and superb location, it can host small-to-medium sized events in its various meeting rooms.
5★; ₹28,000 onwards

Grand Hyatt, Singapore
This property is strategically located at the start of Orchard Road, which is the city's commercial and entertainment district, ensuring you will never have a problem getting to your meetings or your night out.
5★; ₹21,000 onwards

Capella Resort
Located on Sentosa, this spacious Old-world-style hotel is ideal for private meetings. Guests enjoy preferential access to the two courses at the Sentosa Golf Club.
5★; ₹29,000 onwards

Doha Bank, the leading financial services institution in Qatar and recently nominated "Best Bank in Qatar 2012", is expanding its international network to offer a wealth of experience in corporate and retail banking across the globe. So now, you can expect more branches in more locations from one of the most forward-looking banks in the world.

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Our end-to-end MICE services include:

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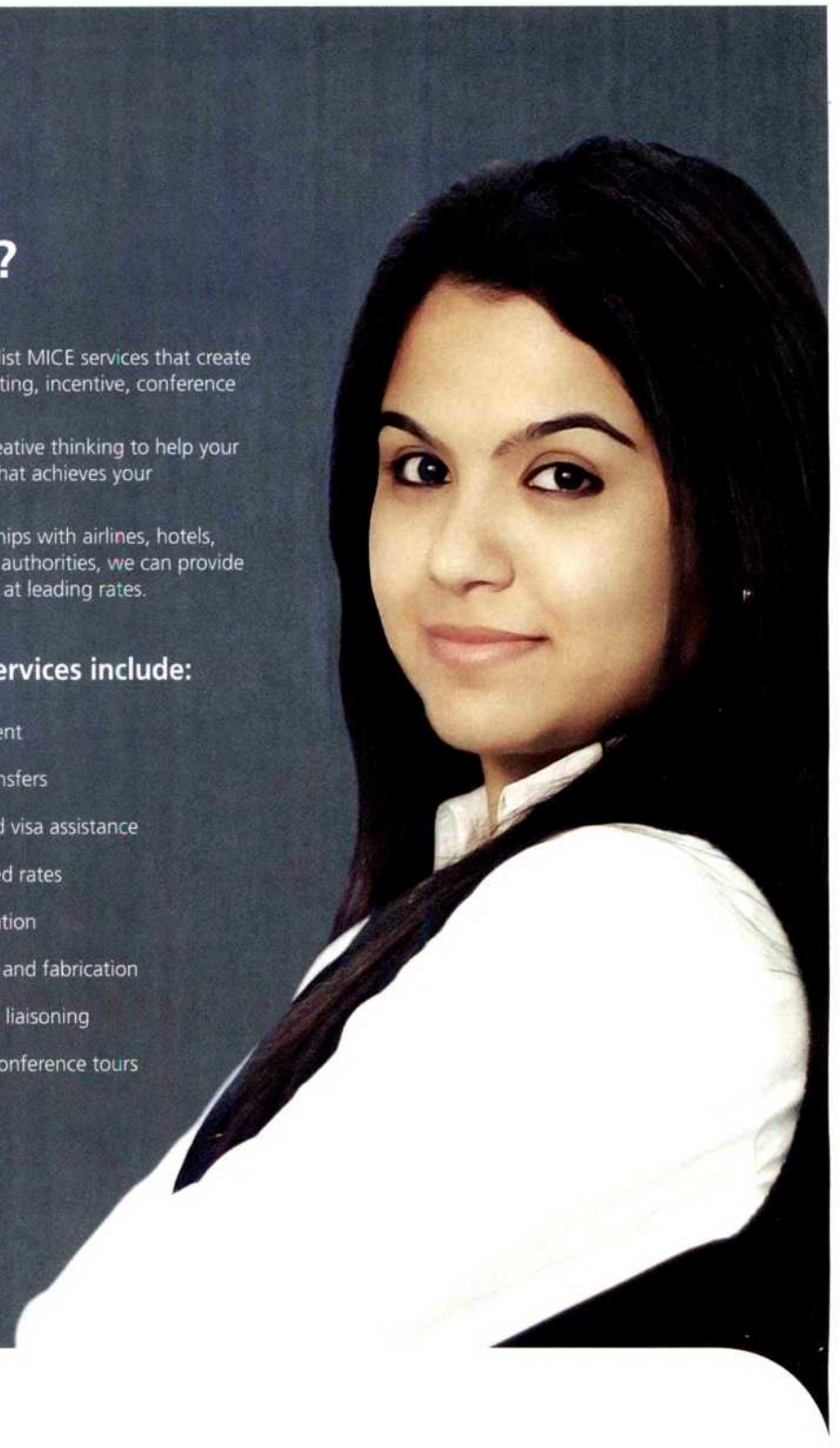
- reservations - air, hotel and transfers
- foreign exchange, passport and visa assistance
- negotiation of group discounted rates
- event planning and theme creation
- creative/3D designing, printing and fabrication
- artist management and vendor liaisoning
- arrangement of pre and post conference tours



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NANDAGOPAL RAJAN

Sound in Motion

Dolby Atmos is transforming the way sounds reach movie audiences

The third dimension is slowly becoming an inevitable part of the movie-going experience. More and more movies are being made in 3D. Sound reproduction, however, had in many ways, failed to keep up with the new kind of images. But that is changing too.

Lately, a number of multiplexes in India have equipped their halls with Dolby Atmos, a cutting edge sound technology that adds a new dimension to movies. Sathyam in Chennai has two such movie halls; in Mumbai, Fame and PVR have one each. Sathyam will add one more soon. How is Dolby Atmos different? It enables filmmakers to match the sound much more closely with the action on the screen. It gives sound designers a never-before level of creative control, while ensuring the audience gets the full impact of the audio effects. Significantly, sound is no longer limited to one plane or channels – each speaker is as capable as the front panel, which was the dominant sound source until now.

In simpler terms, with Atmos, directors can even have sound pinpointed at one speaker in the theatre. Imagine how much difference it will make when you can do that with any of the 64 speakers or 128 sound streams. Sound can now move from one speaker to another, creating effects never heard before in a theatre. So, if a train is coming towards you on the screen, you can hear the sound move from the front row to the back. This is the first time too that speakers have been moved to the ceiling. The thunder that follows the lightning will now come from the top and not the sides of the theatre.

Like 3D, sound can now be used as a tool to enhance the quality of screen storytelling. The recent award winning *Life of Pi* was among the first movies in India to be screened with this technology. The first Indian movie to come out with Dolby Atmos sound is the new 3D version of the 2007 blockbuster *Sivaji*, starring Rajinikanth.

Senthil Kumar, Co-founder of Chennai-based Real Image Media Technologies, the company which remastered *Sivaji*, makes another interesting point. He says while Hollywood uses Dolby Atmos and other new techniques sparingly, Indian filmmakers are tempted to use them wherever possible. A movie like *Life of Pi* might, at the most, have half a dozen scenes which sweep the sound emerging through the vast array of speakers. A three-minute promo of the new *Sivaji* version would have more.

Though Dolby is aiming for 50 Atmos screens in India by the end of 2013, it will be some time before this becomes a standard feature in theatres. Pankaj Kedia, Country Manager with Dolby Laboratories India, says the company is working with everyone concerned to ensure that Atmos sounds the way it is supposed to. "This new technology adapts itself to all kinds of cinemas, so producers will not have to create different masters for various theatre configurations," he says.

It will, however, be expensive for existing theatres to retrofit themselves with this new technology. New theatres will have no trouble in factoring this in while installing their speakers.

There could also be more than better sound coming to cinemas. Studios continue to experiment with 4D, which blends rain, wind and other physical sensations for the viewer into 3D movies. Since 1984, there have been over a dozen movies which have been exhibited in 4D. But this technology continues to be restricted by the prohibitive cost of installing custom built theatres. Already, there are malls in India which give you a snack version of what this is like, but none of these experiments are large-scale. The way technology is progressing, though, it may not be very long before you see reel life compete with real life. ◆

The writer is Associate Editor, Gadgets & Gizmos

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Bright Young Things

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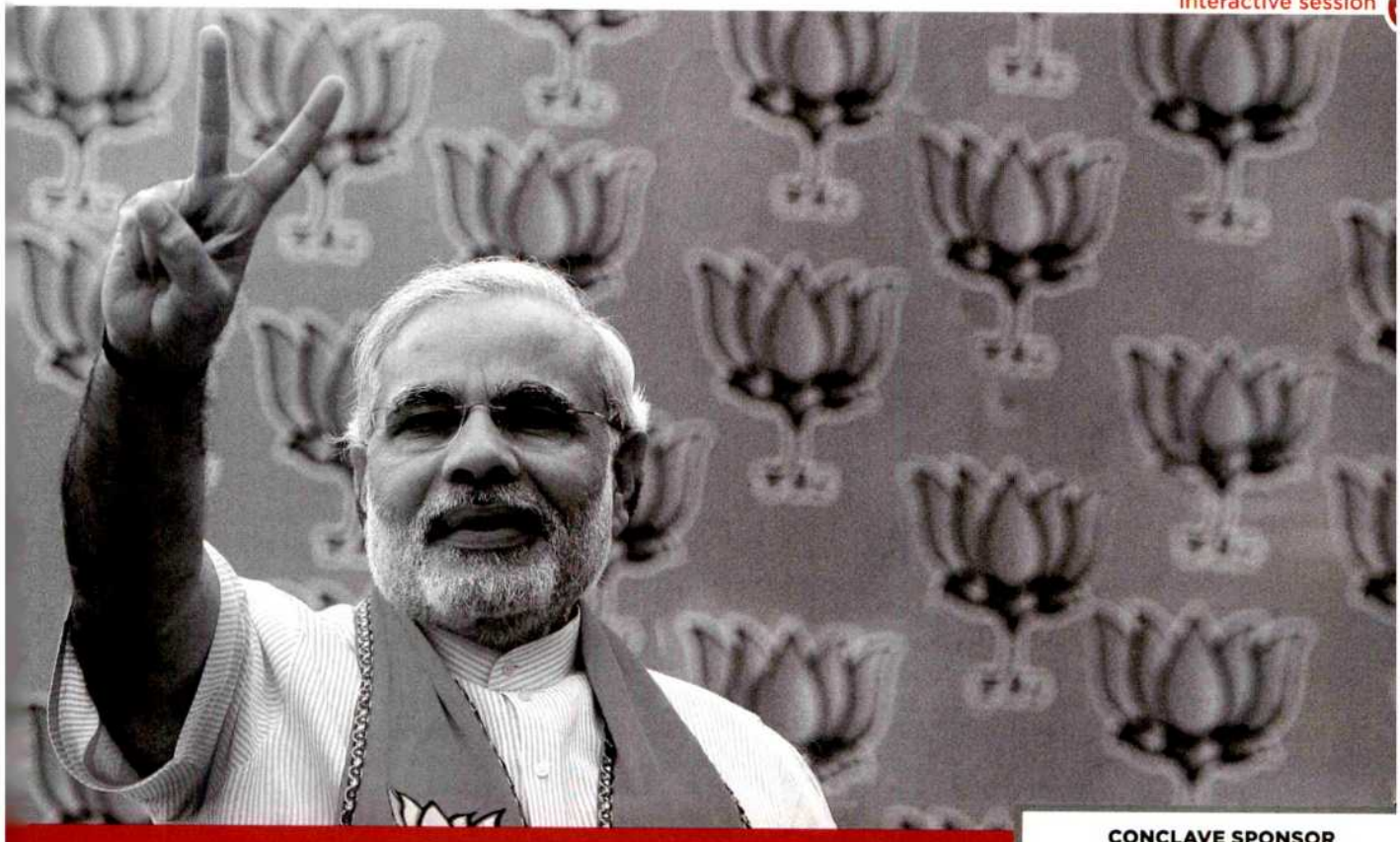

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SHAMNI PANDE

Compulsive Correspondents

Some managers mistakenly think they add value by spamming colleagues

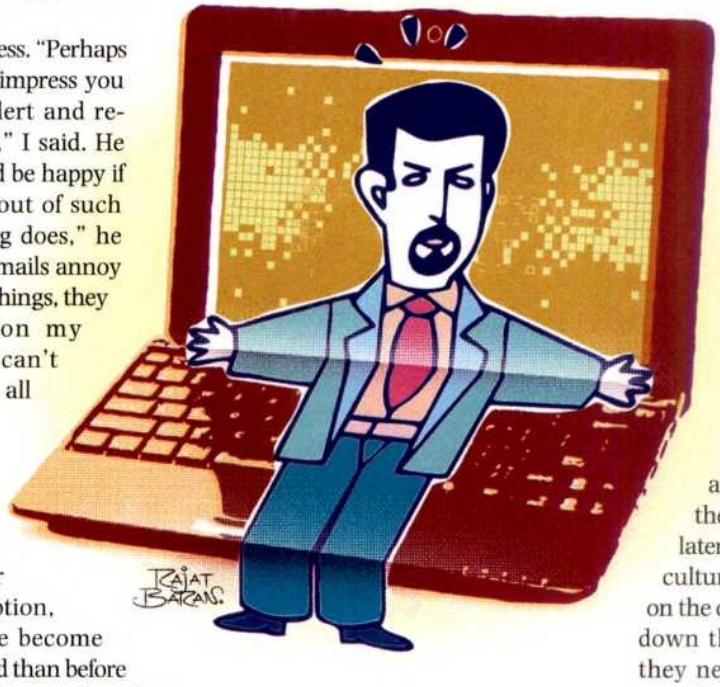
I entered the room of a senior executive in a corporate house to find him chuckling over an email he had just received. He felt obliged to explain why. "It is funny how some managers will go on and on writing mails," he said. "They think they are doing their jobs by responding to every mail without in fact adding any value with their replies."

I hazarded a guess. "Perhaps they are trying to impress you and show how alert and responsive they are," I said. He grimaced. "I would be happy if something came out of such mails, but nothing does," he said. "Such chain mails annoy me. Among other things, they clog up space on my BlackBerry. You can't fool all the people all the time."

With companies encouraging employees to tweet and even write blogs for in-office consumption, some people have become much more inclined than before to hit the keyboard even when they have nothing to say. The humble email is bringing out the worst in many managers. They email others incessantly when there is no need to do so, forward mails the prospective recipients have already got, or attach all kinds of frivolous add-ons and hit the 'Send' button.

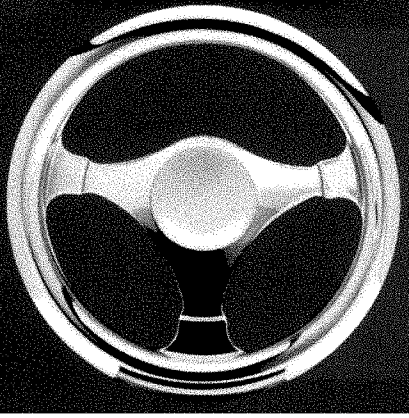
Top managements do not approve, and in some cases have begun pulling up those who spam their colleagues. "Many companies now spot such behaviour. One cannot hope to get away with it," says Zacharias Cherian, Human Resources Head at Agilent Technologies. Lines of accountability are getting sharper, and needless, compulsive emailing is being detected and checked.

Those in the habit of emailing needlessly should pause and think about what the habit is doing to their personal brand. Do they really want to be thought of by their colleagues and bosses as people of no consequence, whose mails can be deleted without being opened? "I know there are some mails I can safely delete without missing out on anything," says a senior executive in a large company. "They are likely to be inane." Which manager would want such an image? A manager's brand is so much stronger if his seniors feel compelled to open and read every mail he sends, because they know he never mails unless it is essential to do so.



Some managers even try to resolve conflicts with colleagues on mail. In such cases, mails often multiply endlessly as, charged with high emotion, they are dispatched with in a flurry. No doubt there are some advantages in working out differences on mail. Writing them gives people time to think, choose their words and respond just the way they want to, while in face-to-face encounters, the better debater – not necessarily the one with the better arguments – usually wins. Docum-enting exactly what the conflict was about, and the positions the antagonists took, also helps if the problem arises again at a later date. "There are some work cultures that put huge emphasis on the documented word. This goes down the line and managers feel they need to record everything," says Cherian.

But do written exchanges resolve the problem? They can never match the effectiveness of direct verbal interaction in sorting out issues, feel executive coaching experts. Mail warriors should understand their colleagues will respect them more, if they take the initiative to walk over, sort things out and focus on closure, instead of shooting off mails. Once again, surely that is a more desirable personal image than that of an inveterate spammer? ◆



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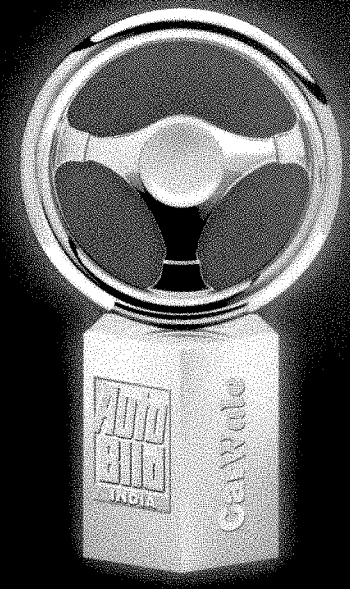

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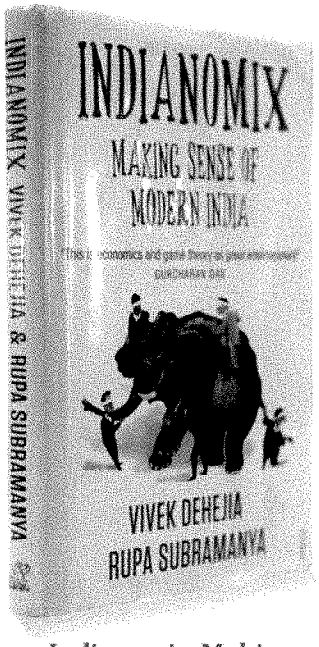
What You See Is What You Get

The book draws from a potpourri of academic work to show Indians are far from inscrutable



Indianomix: Making Sense of Modern India
By Vivek Dehejia and Rupa Subramanya
Random House India
Pages: 219; Price: ₹399

For most people, the name Shatrughan Sinha triggers images of a movie star whose screen mannerisms and dialogue delivery were often more popular than the movies he acted in. Some might recollect he was once India's health minister as well. However, it is unlikely memories of Sinha the health minister will ever overwhelm those of the movie star.

But towards the end of November 2012, there was a moment when some journalists might have wondered about Sinha's prescience as health minister. A decade earlier, a US government agency had predicted India would have about 20 to 25 million people with HIV/AIDS by 2010. The forecast drew a sharp reaction from Health Minister Sinha who felt it was alarmist.

In 2012, official statistics showed that only about 2.1 million people had HIV/AIDS, making India an example of a success story in dealing with the virus. Another way of looking at it would be that the magnitude of the challenge was overstated due to mistakes by foreign agencies while making projections for India. Sinha was proved right. HIV/AIDS no longer makes for the screaming headlines it did a decade ago.

India's experience with HIV and many other developments are used by Vivek Dehejia, an economist, and Rupa Subramanya, a journalist, to probe patterns of behaviour in the country. This book uses a potpourri of academic research in social sciences to demystify Indian behaviour. Indians are anything but inscrutable, the book suggests.

Economics, more than other streams of the social sciences, underpins the book. Its approach is similar to that of the bestselling *Freakonomics* by economist Steven D. Levitt, which used economic concepts as the reference framework to explain everyday riddles.

There has of course been similar work on India before. This country has for long attracted social scientists who saw it as one big lab to hone their skills. A good example would be the almost four-decade-old work of George Akerlof, who won the Economics Nobel in 2001.

An interesting section of the book recounts work done on why poor people seem prone to using their instinct and intuition rather than rational decision making. The poor tend to have less slack, making them prone to relying on gut feel as the best option, the book says.

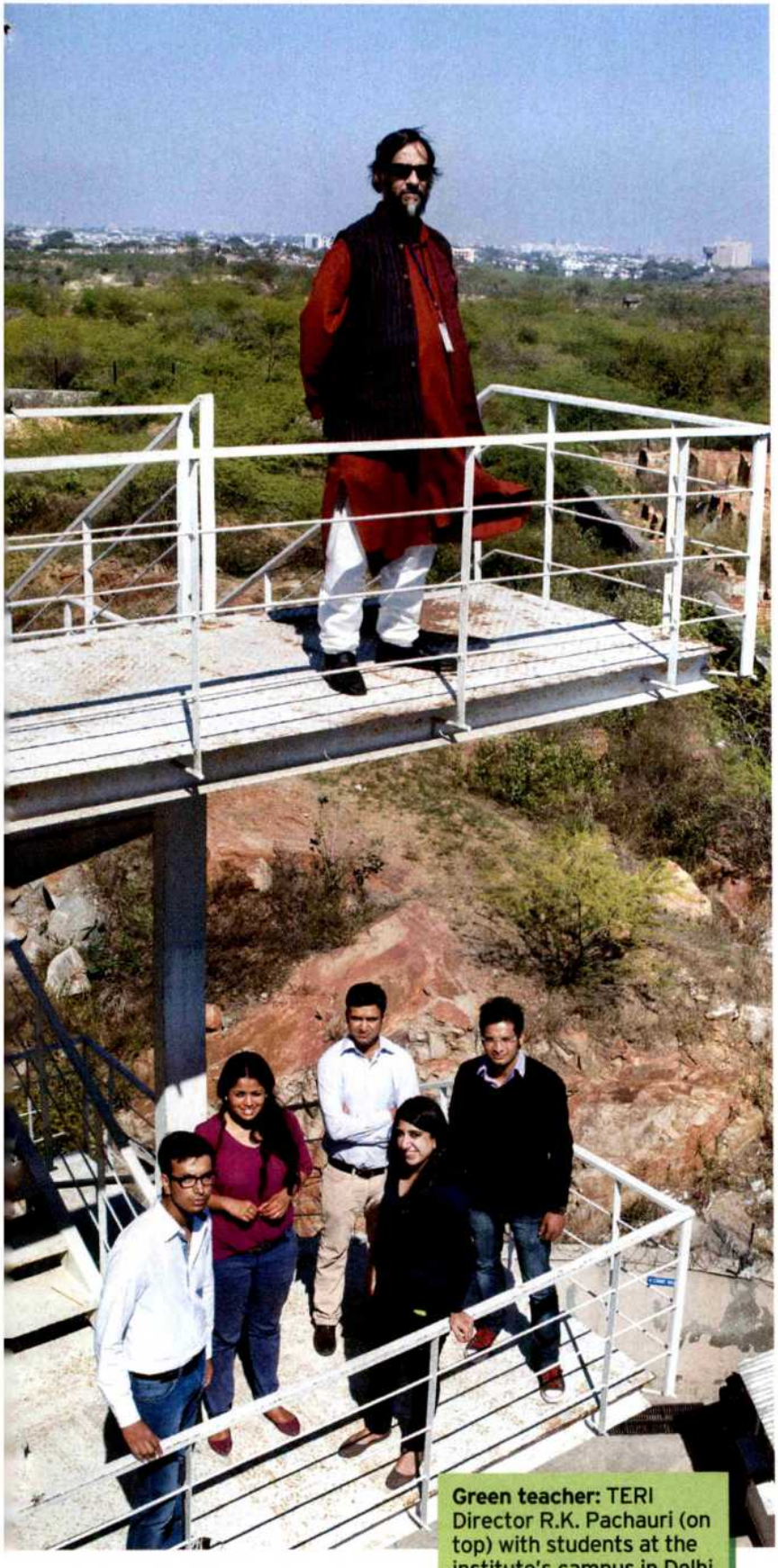
To get a sense of what the book is getting at, consider an unrelated issue. In 2007, before T20 cricket overwhelmed India, and became extremely lucrative, Mahendra Singh Dhoni had to make a difficult decision. In a pulsating World Cup final against Pakistan, Dhoni had to decide which of his players would bowl the match's last over with the opposition within striking distance of victory. In an audacious decision, Dhoni turned to little-known Joginder Sharma. Sharma, who never donned the India colours again, turned out to be an unlikely hero as India won the cup.

Dhoni has seldom subsequently displayed similar audacity in decision making. It begs the question: has he become a more rational decision taker as stakes of all kinds have increased?

The book coherently brings together a host of research to help the reader make more sense of the world, including the mind of Mr Dhoni. ◆

SANJIV SHANKARAN

An interesting section of the book covers work done on explaining why poor people seem to be more inclined to rely on instinct and intuition rather than rational decision making



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Green teacher: TERI Director R.K. Pachauri (on top) with students at the institute's campus in Delhi

Green Card Holders

The demand for professionals who understand environmentally sustainable business is on the rise.

By MANASI MITHEL

Kunal Singh worked with human resources consultancy Aon Hewitt for two years before he decided to go green. The 25-year-old joined a master's programme in economics with a special focus on environment at The Energy and Resources Institute (TERI) University in Delhi. "At Aon Hewitt, we were looking at how companies in the oil and infrastructure sector will be needing professionals who can handle issues related to environmental sustainability," says Singh. "From policy changes to the business risks involved, this will be the next big skill requirement."

Singh is one of the many Indians chasing so-called green jobs. Most of them are driven by the growing demand in India for professionals who understand the business of environmental sustainability. Experts estimate 8,000 to 10,000 green jobs have been opening up each year for the past 10 years. These are not just in purely green businesses such as green buildings, renewable energy, energy efficiency and carbon consultancies, but also in big companies which have launched green initiatives. Ambuja Cements, for instance,

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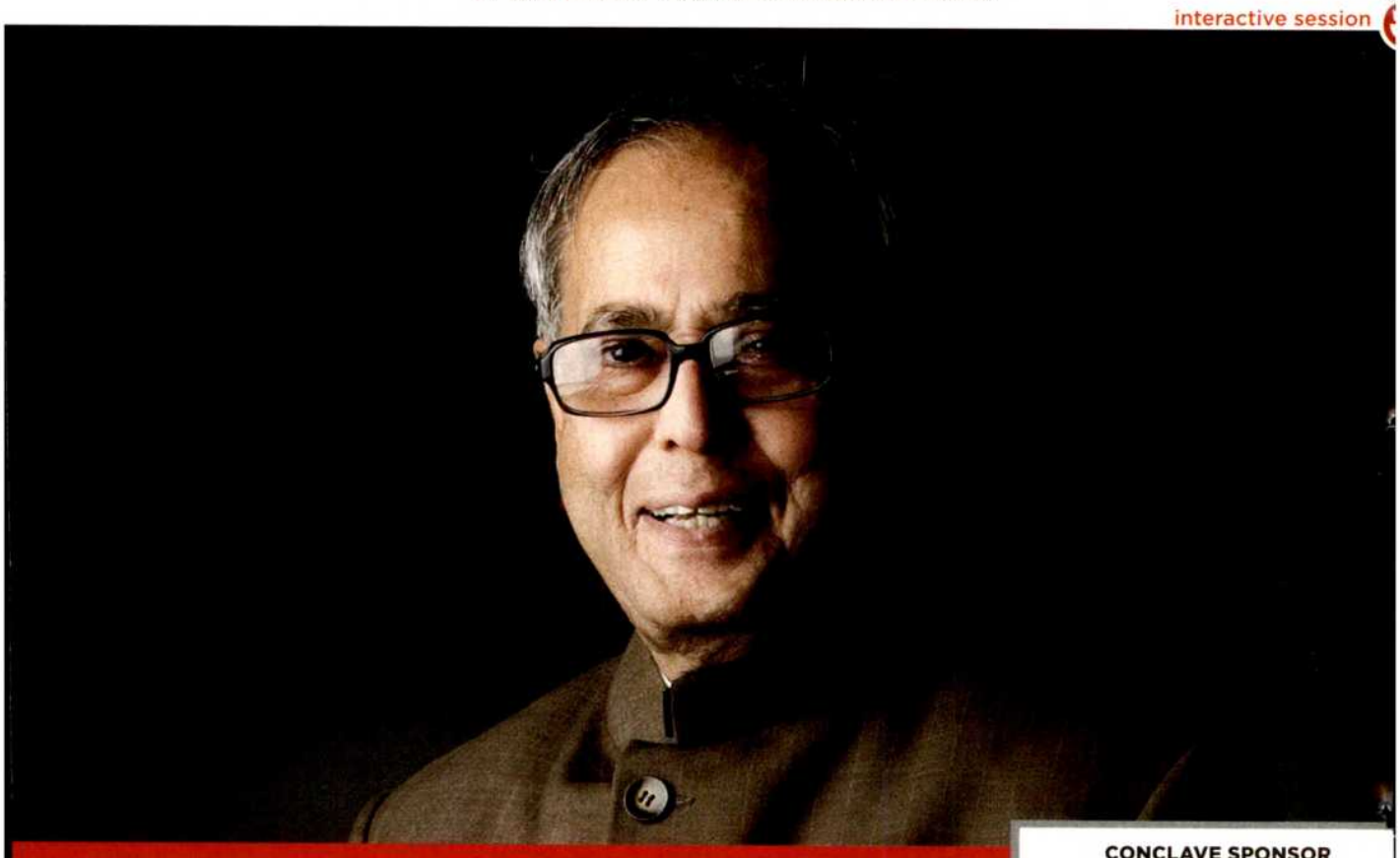

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has an environment management department and a geocycle department, which deal with sustainable solutions for industrial waste. The environment management department coordinates with various Ambuja plants on matters related to environment, climate change and sustainability. It also acts as an interface on these issues with the company's management. "This year, we recruited five environment engineers from Indian School of Mines (ISM) Dhanbad and 15 mining engineers from other universities," says Meenakshi Narain, Joint President of Human Resources at Ambuja Cements.

While government policies and company guidelines (see *Driving the Green Shift*) are nudging this green shift, several firms are also wracking their brains to find the most effective way to manage these issues. "The issue of sustainability requires knowledge of multiple issues," says Prashant Vikram, a senior executive with PricewaterhouseCoopers (PwC). "While there is a good framework of government policies to encourage environment-friendly operations in industry, management expertise within a company which understands green business issues is really what is required right now."

In the last three years, companies have started making senior functional directors, such as legal or supply chain heads, responsible for social and environment issues. Designations such as Chief Sustainability Officer (CSO), though, are still limited. "Sustainability is the buzzword across the industry and in policy decisions around the world now," says Astha Ummat, a 23-year-old student at TERI University, who worked with Google's Online Sales Operations for seven months before going back to university. "A Master's degree in economics with special focus on environment resources is an added advantage."

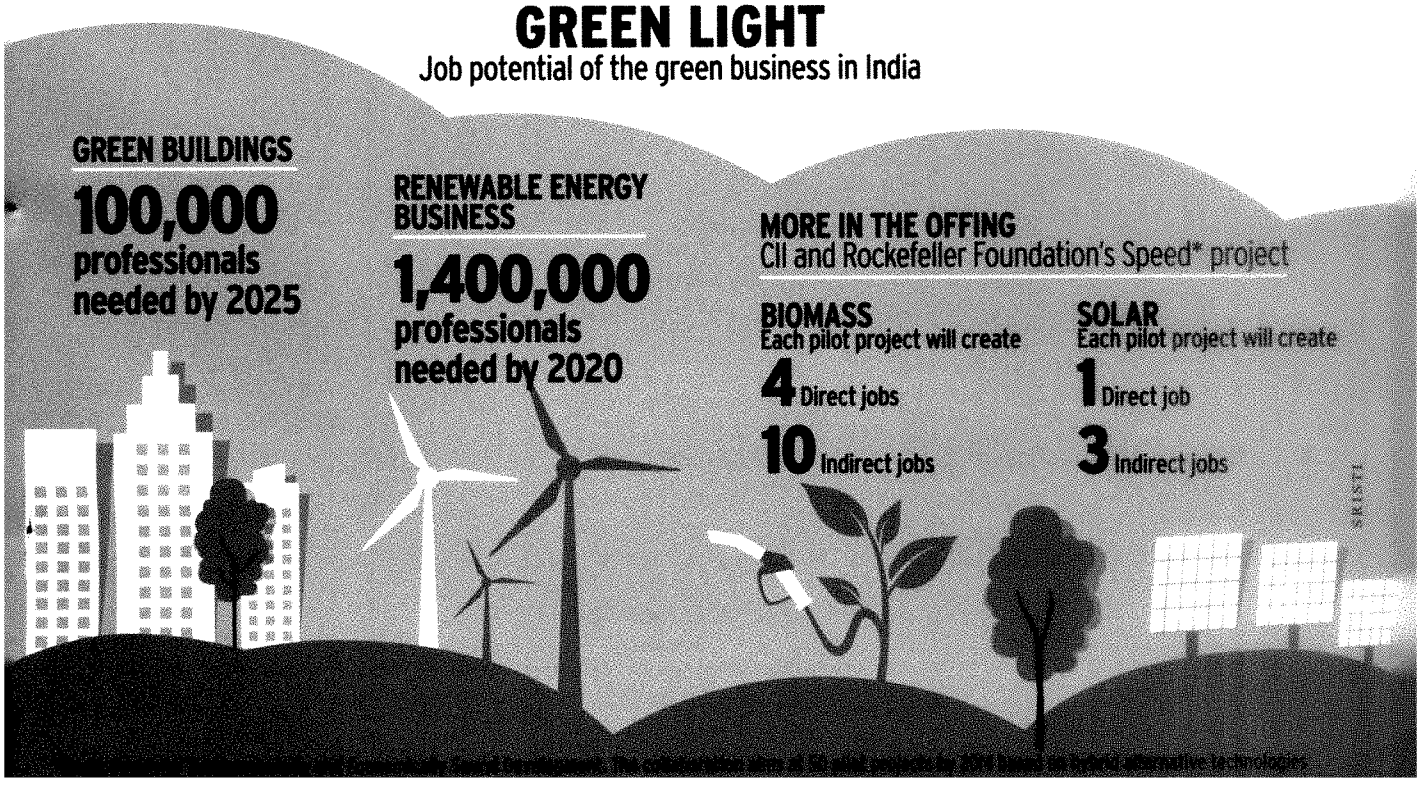
Going Green

Some companies are also outsourcing their corporate social responsibility (CSR) jobs to outside consultants. IndusInd Bank is one of several companies that has been working with the Centre for Environmental Research & Education (CERE) to reduce energy consumption by 15 per cent per annum. It currently has 100 solar-powered ATMs across India.

Companies such as Apollo Tyres, Cisco and IL&FS have also managed to reduce their energy consumption and increase employee productivity through green initiatives such as water recycling and construction of green buildings. "Being a manufacturing company, our engineers work on some of these initiatives, while for initiatives like carbon footprint analysis and reduction, we work with external agencies," says an Apollo Tyres spokesperson.

Even pure green businesses, such as those in the renewable energy space, are looking for talent. Emergent Ventures India (EVI), a climate change and clean energy solutions consultant, has hired fresh talent from the Indian Institute of Technology, Indian Institute of Management and National Institute of Technology, besides TERI University. "There will be great growth in demand for professionals specialising in the green sector," says Ashutosh Pandey, President at EVI. "Apart from domain expertise, this sector will also need expertise in large programme management and business development."

It is not the only one. Green Infra, a renewable energy company, is looking to hire fresh MBAs with a



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background in investment and equity finance. The company has 307 megawatts of operational capacity across its wind, solar, biomass, hydro and energy efficiency verticals.

India has a large base for core skills in the renewable energy and energy efficiency businesses. Government mandates to encourage wind energy and, more recently, solar energy have allowed talent growth in pure green businesses. This has helped emerging segments in the green sector draw talent from related sectors, as professionals in the latter upgrade and adapt to new businesses. For its environment-related departments, Ambuja Cements, for instance, is sourcing lateral hires from chemical, manufacturing and process industries. It looks for people with traditional educational degrees such as a B.Tech or M.Sc, together with a strong environment background. "Five years ago, solar energy was very small. But when government policies encouraging this sector were introduced, people realised this could be a big thing. Talent for this was drawn from traditional sectors like energy and environment, which have been around for the past 20 to 30 years," says PwC's Vikram.

Training Programmes

Besides government policies, even industry associations are helping the green shift in business by initiating training programmes to develop talent for this growing sector. The CII-Sohrabji Godrej Green Business Centre (CII-Godrej GBC), funded by the Godrej Group, is working with 20 architectural and engineering colleges to introduce training programmes in the green building segment under its Indian Green Building Council's student chapter.

Experts say the design and construction of green buildings hold enormous job potential. Green buildings account for just three per cent of all buildings being constructed in India at present. CII-Godrej GBC is working to increase this figure to a range of 30 to 50 per cent. Among the companies whose offices are green buildings are Wipro, Cisco, Infosys, HSBC and ITC. K.S. Venkatagiri, Head of Energy, Environment and Water Management Activities at CII-Godrej GBC estimates that India's green building footprint is likely to increase to 100 billion square feet by 2030 from 25 billion square feet in 2010. "Since 75 per cent of the buildings that will exist in 2030 are yet to be built, this will provide increased job opportunities in the green buildings segment," he says.

The only downside is in carbon consultancies. While the business and talent needs of the renewable energy, energy efficiency and green building segments are all looking up, carbon consultancies are going through a downturn. With Europe's carbon credit market going through a slump, Clean Development Mechanism projects, which companies in India adopted a decade ago, have been doing poorly. Some have even shut shop. Professionals in this business have either gone back to the traditional energy and environment sectors or have been absorbed in segments such as the solar and biomass businesses.

But industry experts are still optimistic. "The fall in carbon prices has impacted our business. But because of our diversity of business areas, we are able to withstand this impact," says EVI's Pandey. "We feel the next two years will be crucial for the climate change industry as all of us try to reinvent our business models. I foresee a tremendous growth post this period."

PwC's Vikram is also optimistic about the sector's ability to adapt and flourish. "If two to three years from now, we find new carbon markets, companies will find a way around it, just as we are doing in solar today. We won't be left without a skill base." ◆

DRIVING THE GREEN SHIFT

Some key developments that are prompting companies to adopt green policies

2%
Amount the Companies Bill, 2011 mandates all companies should spend out of their average net profit on CSR-related activities

The Global Reporting Initiative (GRI), enabling companies to measure their sustainability performance, is in place. Implementation, however, is voluntary

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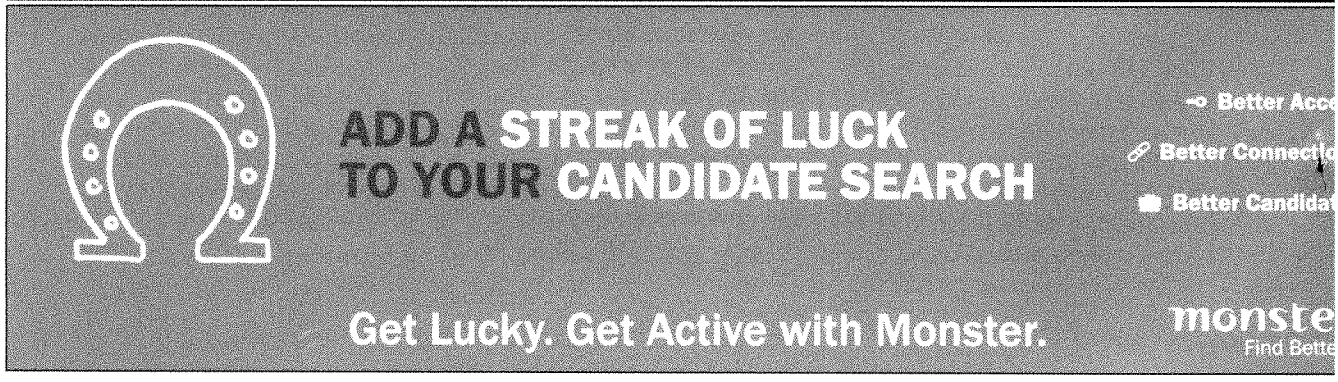

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Job ID: 12862613
Description: Managing all tax audits including coordination with finance and outside advisors.

Integreon Managed Solution (India) Ltd
Assistant Manager
Location: Mumbai
Job ID: 12131212
Decription: Maintaining the General Ledgers of subsidiaries and monthly preparation & analysis of Financial Statements.

Deloitte Consulting India Private Limited
Senior- TAX
Location: Gurgaon
Job ID: 12840071
Description: Work in a fast growing and challenging environment with like-minded people who are eminent in their respective technical field.

NCR Corporation India Pvt. Ltd.
Chartered Accountant (CPA)
Location: Mumbai
Job ID: 12756132
Description: Ensure smooth month, quarter and annual close for management books (US GAAP).

Teradata
Financial Controller
Location: Mumbai
Job ID: 12659359
Description: This role is overall responsible for Teradata India accounting, transaction processing and audits.

TIBCO Software India Private Limited
Accounts Payable Specialist
Location: Pune
Job ID: 12938971
Description: At least 4 - 8 years Accounts Payable process experience.

ACS, Inc.
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Description: Should be a Chartered Accountant with 4-6 year of experience.

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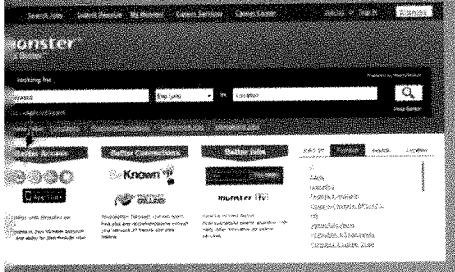

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Hani El-Assaad
President (Middle East, India and Africa), SITA

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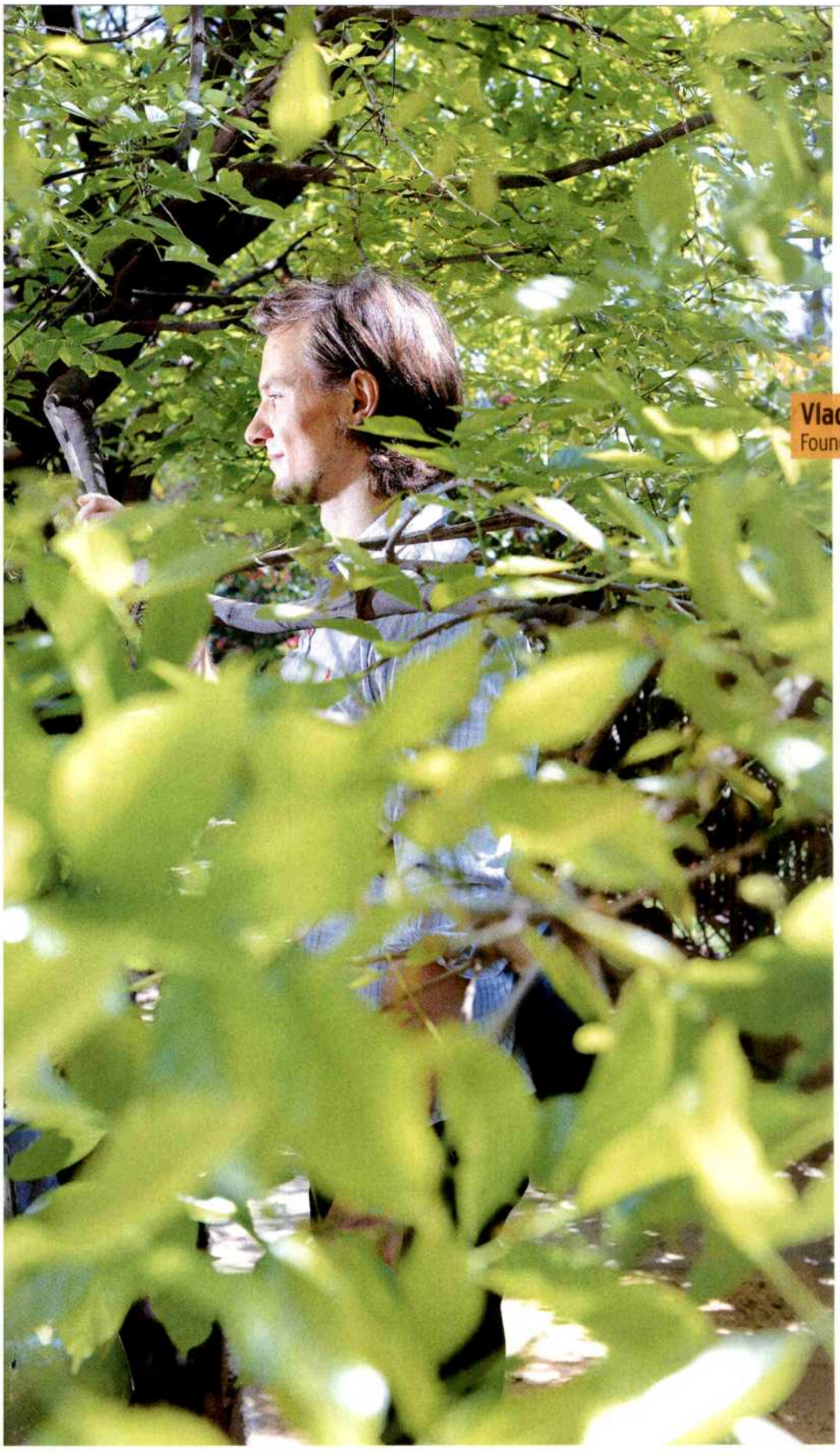
Check in Anywhere

He joined SITA, the leading global air transport technology provider, as a sales manager about 18 years ago and since then has worked in every important function in the company, be it sales, marketing or finance. A year after taking over as President of India, Middle East and Africa operations, **HANI EL-ASSAAD** recently made his first visit to India to meet his team and expand SITA's presence in the country. The $1.5-billion SITA has tied up with Airports Authority of India to help equip 25 Indian airports with a technology it has developed – a common-use passenger processing system. "At present, most airports assign a specific number of check-in counters to each airline. This technology allows check-in for any airline at any ticket counter," he says. The system is already functional at 13 airports, such as Ahmedabad, Jaipur and Udaipur. El-Assaad, who is based in Lebanon, is also an avid sports buff.

MANU KAUSHIK



Vladimir Dubovskiy
Founder, Unstoppable

Start-up Godfather

His start-up is called Unstoppable, but the term could well apply to **VLADIMIR DUBOVSKIY** himself. All of 26, he began by co-founding a start-up incubator he called The Unreasonable Institute. Not satisfied, a year ago he launched Unstoppable, to promote start-ups further. Early in March, the company held its first event in Bangalore, a four-day 'Start-up Festival' that celebrated the city's rise as the start-up capital of India, and also helped entrepreneurs network with a cross-section of government officials, investors, businessmen and academics, among others. Dubovskiy, currently living in India, insists his company is not another event management firm: "It is a branding company for entrepreneurs and for cities," he says.

GOUTAM DAS

NILOTPAL BARUAH/www.indiatodayimages.com

Dominic Brand
Worldwide Marketing Director, Forevermark

Shine On

South India is the biggest market for diamonds in India, with Mumbai and Delhi close behind, says DOMINIC BRAND, Worldwide Marketing Director of Forevermark, a De Beers Group diamond brand. Brand, in Mumbai recently for an international jewellery show, believes India holds enormous potential for his company. "By 2020, four markets will have 80 per cent share of world diamond consumption – the US, Japan, China and India," he says. An incurable romantic, he likes to recall how he proposed to his wife. On a weekend trip with her before they married, he pretended to feel ill and left her to go back to the hotel room. When she went to check on him later, he held up a Forevermark diamond ring and popped the question.

DEARTON THOMAS HECTOR

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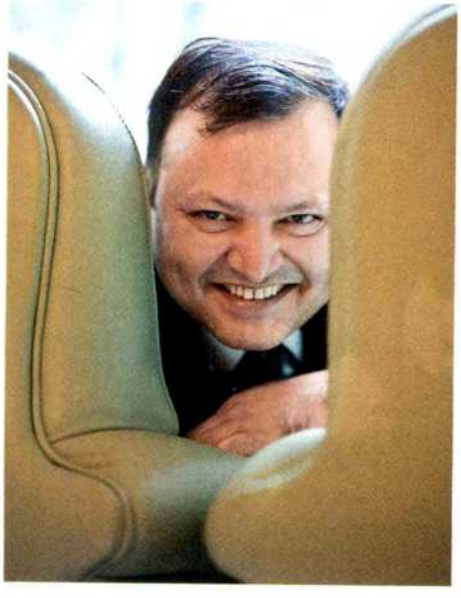

VIVAN MEHRA

Neeraj Chauhan
CEO, ChangeMyTyre.com

Look What Is Selling Online

After stints at Global Infonet, which he set up as a greenfield information technology distribution venture, and eSys Technologies, another IT distribution company he co-founded, Neeraj Chauhan took the road less travelled and set up an online tyre retail outfit. He may not have had to go too far to find its name – ChangeMyTyre.com – but the company goes to the extent of delivering the tyre you want at your doorstep, or at an authorised fitment centre. You can find all the major brands on the site, compare prices, and get a bit of a discount on most of them. It is just like shopping online for IT tools, the world in which Chauhan still has a foot, through InflexionPoint, another IT distribution company he heads as President.

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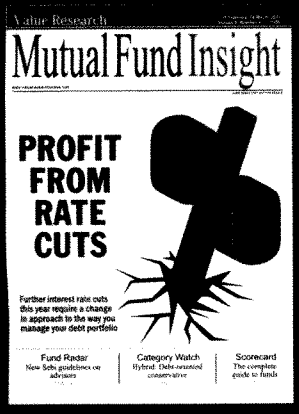

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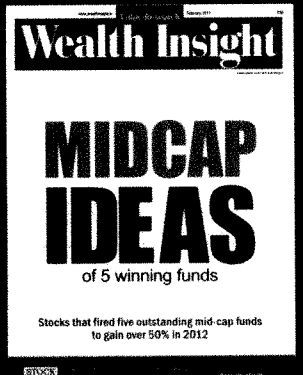

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Sanjay Mehrotra
Co-founder, President and CEO, SanDisk

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No Flash in the Pan

In 1976, midway through his engineering course, **SANJAY MEHROTRA** moved from BITS, Pilani, to the University of California, Berkeley, US. After post graduating in 1980, he joined Intel but quit to co-found SanDisk – along with Israeli engineer Eli Harari – in 1988. SanDisk, which manufactures data storage solutions – flash drives, memory cards, and more – recently held its silver jubilee. During a rare visit to India on the occasion, Mehrotra, who was born in Kanpur and grew up in Delhi, said: "India is a very exciting market for us and one of the fastest growing. The growth of the mobile and digital imaging market in India bodes well for a company like ours." How does the shift to the cloud affect him? "Flash is strongly gaining ground in the cloud, in data centres and in enterprise applications because of its high performance and value proposition of having a small footprint and high reliability," he said. "It is a big growth opportunity for us. As mobile devices become more powerful, they will need more local storage too."

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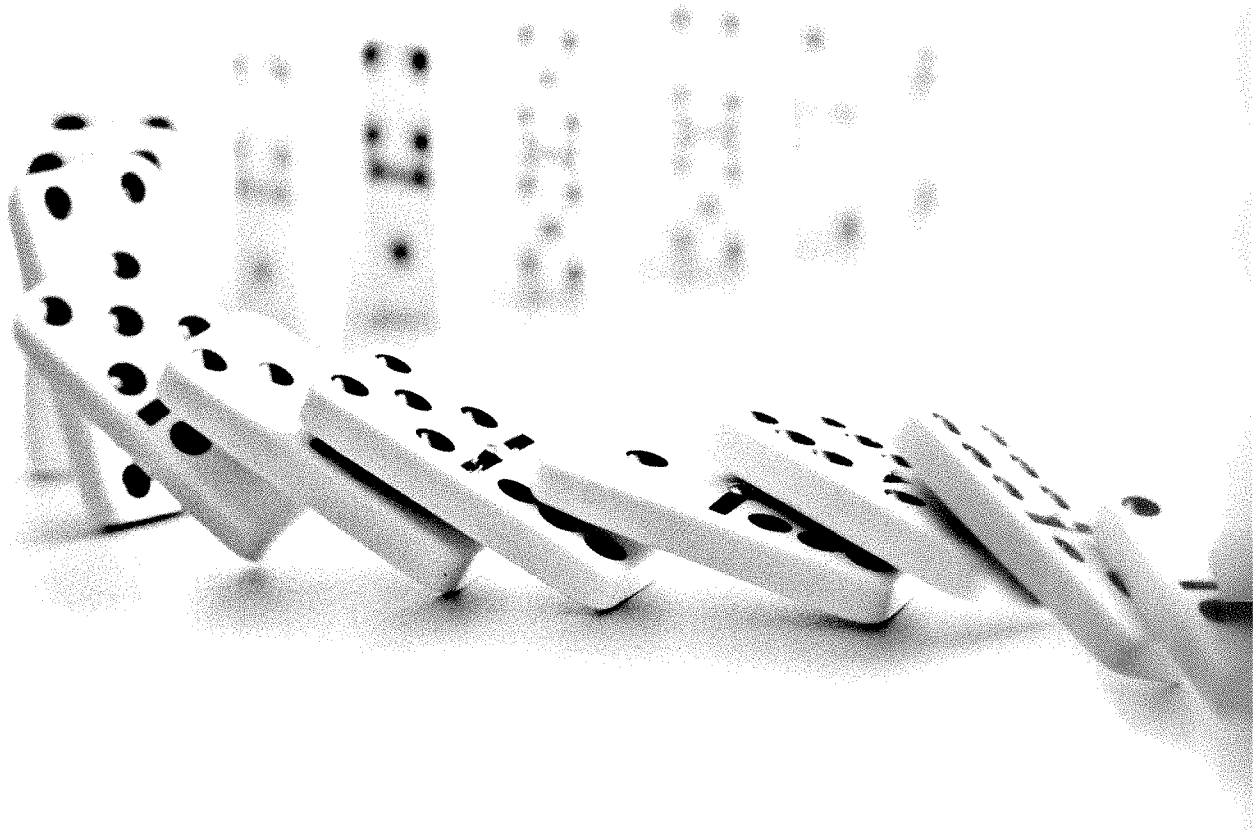

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ANTONY JACOB
CEO, Apollo Munich Health Insurance

My leadership style
- ☐ Delegative
- ☐ Participative
- ☐ Authoritative
- ☑ All of the above

The political leader I admire the most
Nelson Mandela

The business leader I admire the most
Warren Buffett

The leadership lesson I remember best
Your customer is the most important person in the premises

A movie I would recommend on leadership
Gandhi

The difference between a manager and a leader
A manager manages with his mind, while a leader leads from his heart

All good managers are good leaders
No

As told to N. Madhavan

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THE MORE WE KNOW, THE MORE WE WANT

Today we are capturing more data about more things more quickly than ever before. The sheer facts of big data—2.5 quintillion bytes are created daily—present outsized challenges, and opportunities.

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Across the world, a distinct group of leaders is emerging, who possess both a wealth of data and an acuity of analytical insight that their predecessors never had. So they feel freer to act—with a calculated boldness—to lead the big shifts that are reverberating through their organisations, their industries and beyond.

City leaders used to be judged by how well they responded to a crisis. Now they are judged by how well they anticipate one.

This may explain the sound you've been hearing so often lately: the crashing of one convention after another to the ground.

TO CHANGE EVERYTHING.

Mayor Eduardo Paes of Rio de Janeiro has adopted a proactive approach to the safety of the city's 6.3 million people. From a single integrated operations center, city officials now monitor and coordinate information from 30 public agencies. During the annual rainy season, this has helped improve response times to flooded areas by 30%. More promising still, officials have begun using predictive analytical models to pinpoint high-risk areas before flooding occurs—and to evacuate residents before rescue is too dangerous or too late.

Marketers used to see you as a "segment." Now they see you as you.

Until recently, marketers saw consumers only as vague demographic blots. So it's no wonder so much marketing missed its audience, or bored it, or annoyed it. A generation of CMOs, however, is applying new analytical rigor to vast pools of transactional and social data. This allows them to develop deeper profiles of individuals, and to design marketing that is more relevant, more personal and, ultimately, more like a *service* than before.

LET'S CHANGE THE WAY THE WORLD WORKS.

IBM works with leaders across the world to put data and analytics at the heart of their organisations. We've observed that among these leaders a distinct group is emerging, whose talents are enabled by technology but go beyond it. They are making bold decisions and advancing them on the basis of rich evidence: they are anticipating events, not merely reacting to them; and they are toppling the conventions that stand in the way of thinking and working smarter.

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LET'S BUILD A SMARTER PLANET.

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ASSET ALLOCATION SURVEY 50

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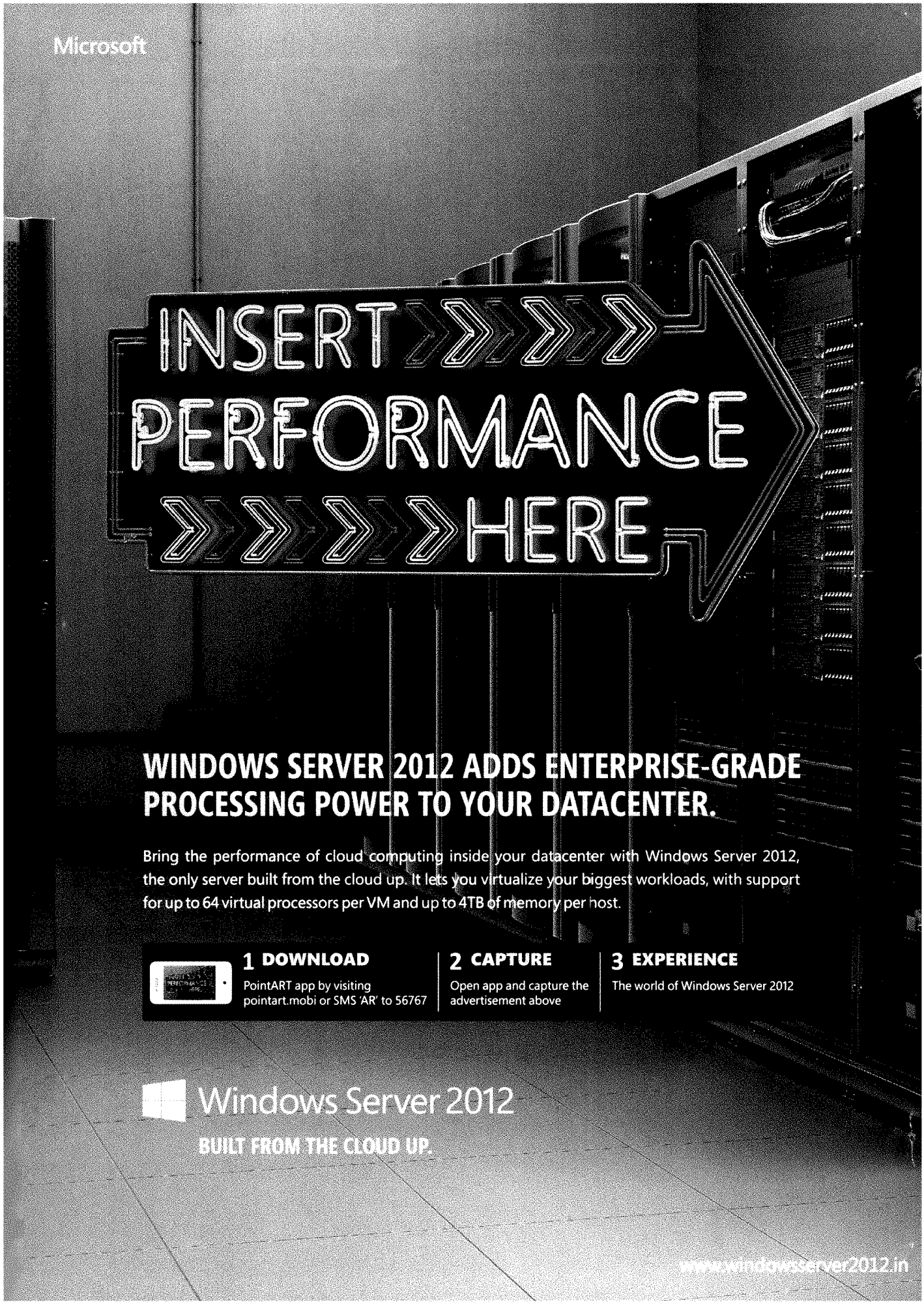
GOD OF BIG DEALS

In the game of endorsements, M.S. Dhoni is Supreme. How did he get there?

BB EXCLUSIVE THREE SKILLS EVERY 21st-CENTURY MANAGER NEEDS 98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TOUGHBOOK FOR A TOUGHWORLD

From the Editor

Most of us are lucky if we get fifteen minutes of fame. You can be famous, but not rich. Fame is fleeting, and unless you are V.S. Naipaul, your best shot at fame is when you are young or Amitabh Bachchan, in good health, good to look at, and very good at what you do. If you are an athlete, or a sporting sensation, or an actor, then the opportunity to cash in on your fame is very limited – as comedian Fred Allen said, celebrity "has the life expectancy of a small boy who is about to look into a gas tank with a lighted match". A shower of advertising asteroids bombards us every day, and chances are we will remember products that have famous faces associated with them – even when you can fast-forward past the commercials in a digital world. We have been weaned on stories about genteelly poor Indian cricketers; a recent tribute to Mansur Ali Khan Pataudi recounts how even the nawab and Sharmila Tagore were travelling economy class on a flight to a match. And I remember a riveting documentary on how Russian tennis players were on starvation diets until Boris Yeltsin decided to take the game under his wing. Things started to change for Indian celebrities in the 1990s, and Mark Mascarenhas – until his death eleven years ago – had a lot to do with the transformation. His WorldTel first shot into the headlines when it grabbed the rights to the 1996 cricket World Cup, and his first five-year contract with Sachin Tendulkar, worth $7.5 million, was followed by an even bigger second deal.

Those numbers are dwarfed by today's endorsement deals, and Mahendra Singh Dhoni, who some of us felt was flaming out only to reincarnate against the Australians, makes upwards of ₹100 crore ($18 million) in just one year. That is why he is on our cover this fortnight, and you will really enjoy the rambunctious, swashbuckling tale of big names and big money in the package starting on page 62. Executive Editor Suveen K. Sinha clearly had fun writing the Dhoni story, and so did Associate Editor Ajita Shashidhar and correspondents Manasi Mithel and Dearton Thomas Hector. Take note though – even when celebrities fall off their pedestals they do not stop making money. Lance Armstrong, who was making about $20 million a year from companies like Nike, Anheuser-Busch and RadioShack until he confessed to Oprah Winfrey that he had been consuming performance-enhancing drugs for years, still stands to make a pretty penny from speaking engagements, a book deal, and even possibly his own television show. It's a very thin line between celebrity and notoriety. Not even Tiger Woods, he of infidelity fame, has suffered much. I counted at least ten big-name sponsors on his website, including Rolex, Nike Golf, and NetJets (although Nike has given Rory McIlroy a deal that would make Tiger salivate).

Having lived vicariously through all that, I must now tell you proudly about a new milestone in *Business Today*'s constant endeavour to bring you the highest-quality analysis. This issue, we launch a new quarterly survey to gauge the mood of the market. The *Business Today*-Morningstar Asset Allocation Survey gets projections from India's leading mutual fund houses on key indicators such as GDP growth, fiscal deficit, policy rate movements, rate of inflation, and their views on sectors that look attractive from an investment perspective on asset classes such as gold, and much more. This is an invaluable tool to aid your investment decisions. Together with our quarterly Business Confidence Index, the Asset Allocation Survey should be on your must-read list – and we hope you will preserve back copies so you can track changing investment moods.

Last fortnight saw the 12th India Today Conclave bring together a fascinating mix of celebrities big and small, and our coverage is dominated by an excellent and exclusive interview by Deputy Editor K. Sai Srinivas (page 58) with British-Canadian writer Malcolm Gladwell, the *New Yorker* staff writer whose books have made words like "tipping point" and "outliers" part of today's lexicon.

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Re: Letters to the Editor

Action Needed

Your cover story (*A Cut Below*, March 31) is an alarming one. The government has to think about the skilling crisis, or else the Indian economy will be shattered. As for class action suits (*Pulled Up in Class*, March 31), Indian firms should safeguard themselves for the sake of our country's reputation. Also, our government should frame stringent rules for safeguarding Indian industry from foreign countries taking action against them, and punish multinational companies operating in India if they violate any rules.

Akhilesh Kumar Sah, *Faizabad*

Accurate

The cover story (*Balancing Act*, March 17) gives a very detailed picture of the real estate scenario in India. As a property consultant, I would like to say you have hit the nail on the head.

Sunayan Shahani, *on email*

Challenging Time

Your report on real estate was interesting. It analysed how the real estate companies had started adopting unique business models to sell property, which was once a goldmine for investors. It is a challenging time for this sector, as most companies are having difficulties funding their projects, and are losing investor confidence.

Abhishek Jain, *on email*

Too Costly

The feature on BlackBerry (*Desperate for a Lift*, March 17) was quite informative. It discusses all the aspects people would like to know about before buying a BlackBerry Z10. What surprises me is how the BBZ10 can have such a hefty price tag, when Samsung and Apple have already provided better features at a lower price. As rightly said by one of the COOs, it is important to leverage cost efficacy with Android devices and not get stuck with closed platforms that cost more to achieve the same outcomes.

Pooja Iyer, *Mumbai*

Sahara Philosophy

Subrata Roy's concept of "collective materialism" (*Jack in the Box*, March 17) should be appreciated. He has made millions of *aam admi* happy by inculcating the saving habit in them. Though he does spend 40 per cent of Sahara's profits on workers' welfare, his benevolence towards the cricket fraternity – giving them free sites, and spending crores on endorsements – is at odds with his philosophy of "collective materialism". He could have spent the money on other poorer sports and games and contributed much more to the poorer sections.

T. Vidyadhar, *Bangalore*

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Educated youth will push the economic growth, says Prime Minister Manmohan Singh
But nothing has been offered to the youth in this year's Budget
All India TRP's Discussion Forum

Money laundering: RBI starts scrutiny of ICICI Bank, HDFC Bank, and Axis Bank.
Smaller private sector banks like South Indian Bank should be also subjected to scrutiny.
Kailash Chand Aggrawal

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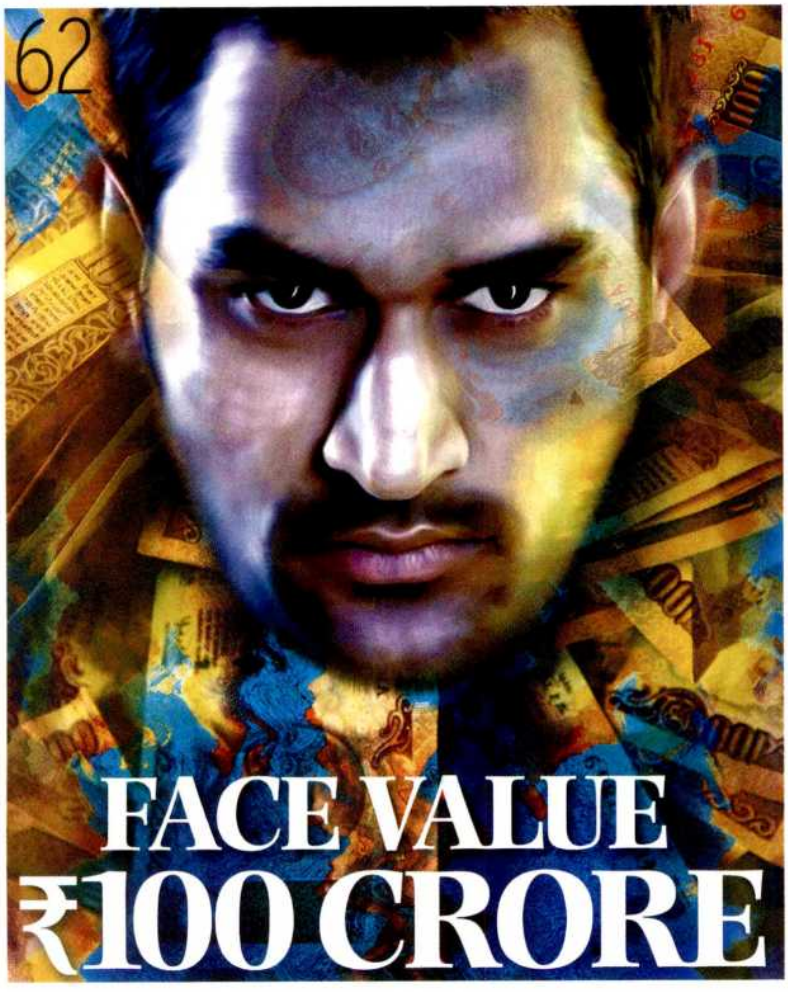
CONTENTS

COVER BY SANTOSH KUSHWAHA

APRIL/14/2013
VOLUME 22/NUMBER 8

COVER STORY



62 | Face Value ₹100 crore
How M.S. Dhoni and his friend Arun Pandey created India's most valuable sports celebrity. Along the way, they changed the rules of the endorsement game

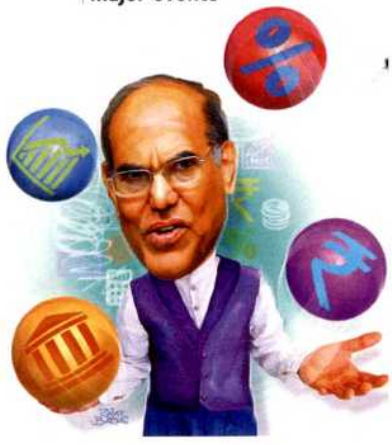
72 | Branded for Life
Salman Khan has successfully leveraged his star status and extended his man-of-the-masses image to his Being Human charity and lifestyle brand

76 | Horses for Courses
From a wrestler endorsing a tractor to a chef selling kitchen items, companies are increasingly signing up niche celebrities to promote their brands

80 | Desperately Seeking Celebrities
The rising stars in the world of endorsements are unable to match the appeal of the old favourites

UPFRONT

10 | Quick takes on major events



14

FOCUS

14 | In a Bind
Monetary easing can achieve little without a supportive fiscal policy framework

20 | Common Minimum Expectations
The UPA government will do its best to keep its Budget promises, but it will be naive to expect anything more

22

22 | Roaming Pain

26 | Graphiti: A Laggard in the Lab

30 | Obit: K. Anji Reddy – A Scientist at Heart

COLUMN
40 | Jomo Kwame Sundaram, Assistant Director General, UNFAO, on global poverty

FEATURES

42

Chanda Kochhar, ICICI Bank

Shikha Sharma, Axis Bank

Aditya Puri, HDFC Bank

42 | Too Many Loopholes
Private banks which accommodate shady customers are not all we should be worrying about – the system is flawed

48 | In Dire Straits
Pakistan's decisions to hand over a port to China and source gas from Iran have raised alarm bells in India

50 | Keep the Faith
India is a good investment bet even if the economy clocks low growth in the coming financial year, says the majority of the fund managers polled

56 | India Today Conclave: Trying to Untangle Wires
Telenor's troubles in India have been a valuable learning experience, says its CEO **Jon Fredrik Baksaas**

58

58 | India Today Conclave: Interview with Malcolm Gladwell
"The old guard in Silicon Valley is crumbling. It will happen in India, too"

85 | An Ambition Pricked
Ram Karuturi mulls taking his rose-to-maize company private as its stock shows no signs of bouncing back

85

88 | Getting Back Its Brilliance
Tejas Networks is likely to fare better than the ill-fated Sycamore Networks, with which it has much in common

ONLINE

FACE VALUE ₹100 CR

In the endorsement game, M.S. Dhoni, helped by his friend Arun Pandey, has gone where no other Indian sportsperson dared to tread.

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PERSPECTIVE

Power Connect

The power sector holds lessons for improvement of regional air connectivity.

By **K.R. Balasubramanyam**

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India Today Conclave

Catch up with all the people and the discussions you missed at the conclave.

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New Star

Nidhi Singal takes you up, close and personal with the Samsung Galaxy S IV.

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INTERACTION

Schmidtspeak

What Google's Eric Schmidt said to a gaggle of entrepreneurs.

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BLOGS

Startup Today

A snapshot of Nasscom's 10,000 start-ups programme. **Taslima Khan**

businesstoday.in/startuptoday

Book Bazaar

The Indian publishing industry is an area of darkness, says **Debashish Mukerji**

businesstoday.in/debashish

CONTENTS

FEATURES

92

92 | Financial Uplift
Once an unfashionable sector, agribusiness has lately seen strong interest from PE and VC funds

98 | *HBR* Exclusive: Three Skills Every 21st-Century Manager Needs

98

MONEY

104 | The Big Bank Theory
Bank stocks are likely to grow in the coming year and provide good returns

110

110 | Working Hard, Hitting Harder
Corporate honchos and professional golfers swung in style to bring the 2013 edition of the *BT* Pro-Am of Champions to a close

LBNL

114 | Life After Pai
Two years after the death of its founder Anant Pai, Amar Chitra Katha hopes to turn into a multimedia powerhouse

114

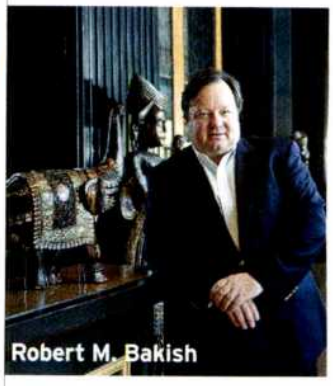
BOOKEND

119 | Nothing to Lose but Self Doubt
A 21st-century from-the-heart manifesto by Facebook's Chief Operating Officer

CAREERS

120 | Shadow Leaders
The job of 'executive assistant' has a lot more potential than the title suggests

128



128 | PEOPLEBUSINESS

LEADERSPEAK

132 | Manmohan Shetty
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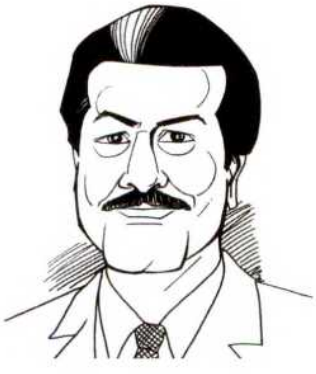
SHEKHAR YADAV

Banking Mantra: Finance Minister P. Chidambaram, not known to mince words, has warned corporate promoters against wilful defaults at a meeting with heads of state-run banks. In an apparent reference to Kingfisher Airlines Chairman Vijay Mallya, he said: "We cannot have an affluent promoter and a sick company."

Corporate

It may be a downhill ride for the auto sector, but **Mahindra & Mahindra** wants to change the way people travel. The company's arm, Mahindra Reva, has launched the e2o, a four-seater electric hatchback priced at ₹5.96 lakh in Delhi. The company claims that driving the e2o for an average monthly distance of 1,200 km would lead to annual savings of ₹70,000. M&M says running costs will be as low as 50 paise per kilometre.



Indian companies are engaging in ambitious outbound M&A deals and have made 72 global acquisitions worth $11 billion in 2012. It is a trend that is likely to gather pace, according to advisory firm Kroll Advisory Solutions and M&A intelligence service provider Mergermarket.

After declining for two straight months, foreign direct investment grew by eight per cent to $2.16 billion in January 2013 from $2 billion a year ago. Services ($4.66 billion), hotels and tourism ($3.19 billion), and pharmaceuticals ($1 billion) were among the hot sectors in the April 2012 to January 2013 period.

The **Tata Group** is seeking to increase its presence in Africa's automotive, mining, infrastructure and hospitality sectors. The group plans to enter new countries in the next three to four years, increasing its presence to 20 countries in the continent.

The **spectrum scam case** has taken another interesting turn with a special court summoning Bharti Airtel Chairman and Managing Director Sunil Bharti Mittal, Hutchison Essar's former MD Asim Ghosh, and Essar Group promoter Ravi Ruia to face charges.

India has scrapped government control over the acquisition of planes by local carriers. Indian airlines will need 1,043 new passenger and freighter aircraft valued at $145 billion by 2030 to satisfy rising demand, Airbus said last year.

Cyprus has delivered a stunning setback to the 17-nation Eurozone. Its parliament has rejected a proposed levy on bank deposits as a condition for a European bailout. In the recent past, Greece, Portugal, Ireland, Spain and Italy had accepted unpopular austerity measures to secure European aid.

Microsoft Corp. has said that allegations of bribery by employees in China, Romania and Italy should be reviewed by US agencies. *The Wall Street Journal* reported that the US Department of Justice and US Securities and Exchange Commission had launched a probe into tips from a former Microsoft employee that the firm handed kickbacks to foreign government officials in return for contracts.

Economy

With the DMK pulling out of the UPA regime, it is time to rethink alliances, especially keeping in mind the next general elections in 2014. A key political figure emerging from this scenario is Bihar Chief Minister **Nitish Kumar**, who is hoping to play kingmaker. He was in the capital recently to demand special category status and higher grants for the state.

The **Power Ministry** has launched a credit rating mechanism for power distribution companies in 20 states. The first version of the annual ratings named Gujarat's distribution companies as the best performers. Power utilities in Uttar Pradesh were rated as the worst among 39 discoms.

The Cabinet has cleared the revised **National Food Security Bill**, which would provide a legal entitlement for cheap grain to about two-thirds of the population, at five kg monthly for each person. Rice would be provided at a uniform ₹3 per kg (the market price is over ₹20). Wheat will be sold at ₹2 a kg (market price ₹16) and coarse cereals at ₹1 a kg. This will cost the exchequer around ₹1.3 trillion.

₹3.49 tn

Estimate of government borrowings in the first half of 2013/14. This amounts to 58 per cent of the total borrowing programme of ₹5.79 trillion. Inflation-indexed bonds worth ₹12,000 to ₹20,000 crore will hit the market from April 1. The average government borrowing size per week will be ₹15,000 crore.

$730 mn

Payment by Citigroup Inc., the third-largest US bank by assets, to settle claims that it misled investors about its condition during the financial crisis. The lawsuit was filed by investors who bought the bank bonds and preferred stock from 2006 till 2008.

Markets

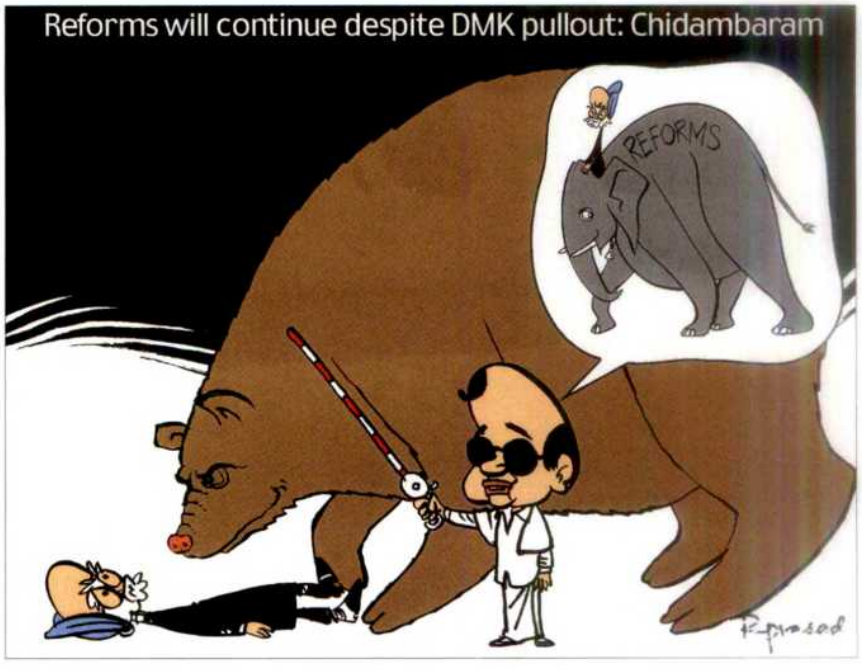
State Bank of India, the country's largest lender, has received ₹3,004 crore from the government as part of the recapitalisation plan for state-run banks. After the infusion, the government's shareholding in the bank has increased to 62.31 per cent from 61.58 per cent. The government plans to infuse around ₹14,000 crore in state-run banks this financial year to boost their core capital ratios, as they prepare to comply with Basel III guidelines.

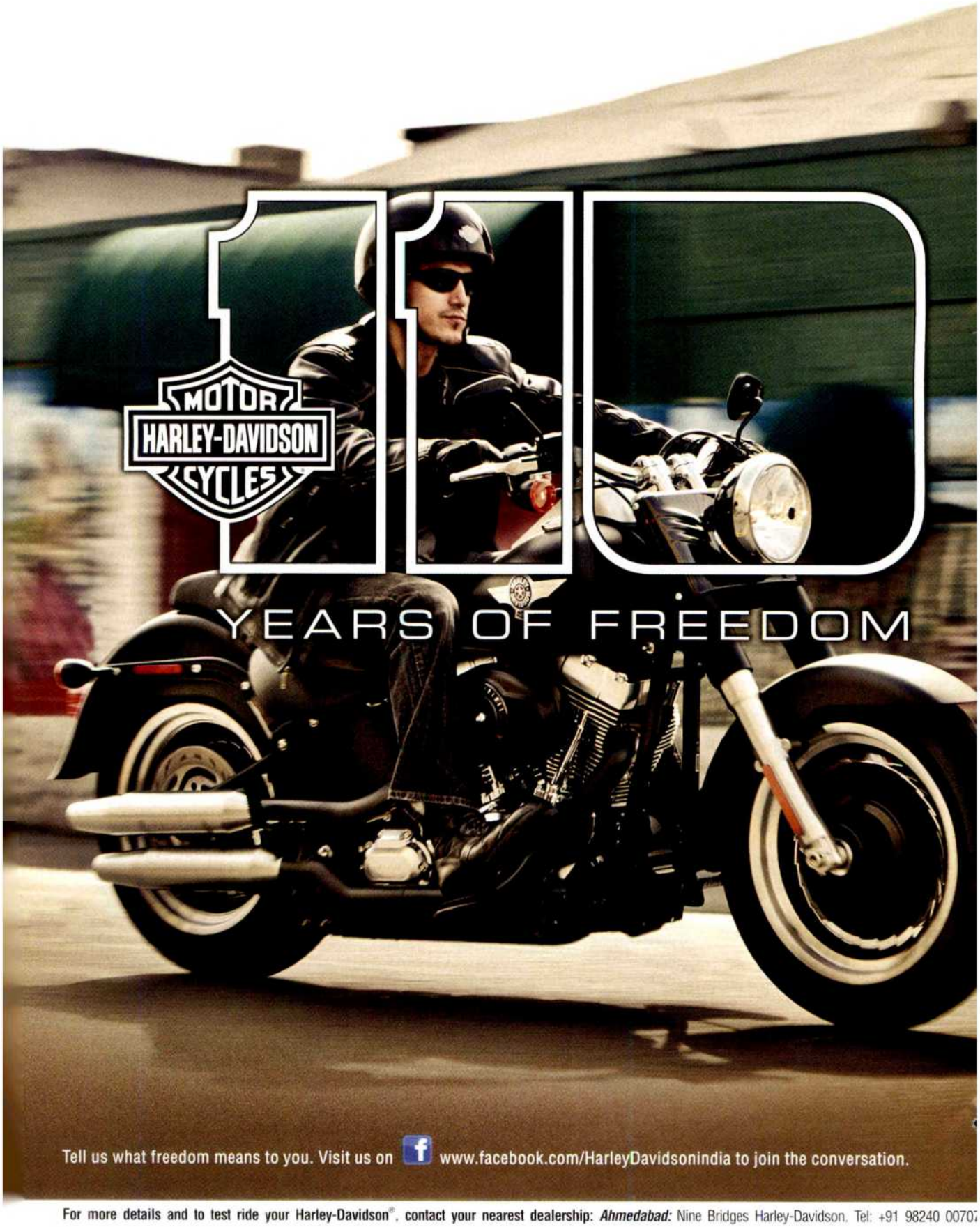
The Reserve Bank of India has said customer cheques still not compliant with the new electronic cheque truncation system will continue to be valid and accepted in all clearing houses until July 31.

Coming Up

The CII is organising its annual session on April 3 and 4 in Delhi. The theme is *India of Tomorrow: Imperatives of Growth, Security and Governance*. Over 2,000 business leaders are expected to attend the event, which is to be inaugurated by Prime Minister Manmohan Singh.

The annual supplement to the Foreign Trade Policy is expected to be unveiled in April. The policy may announce measures to boost exports that will bring down the current account deficit. Interest sops, focus product schemes and incentives to special economic zones are among the measures being considered.





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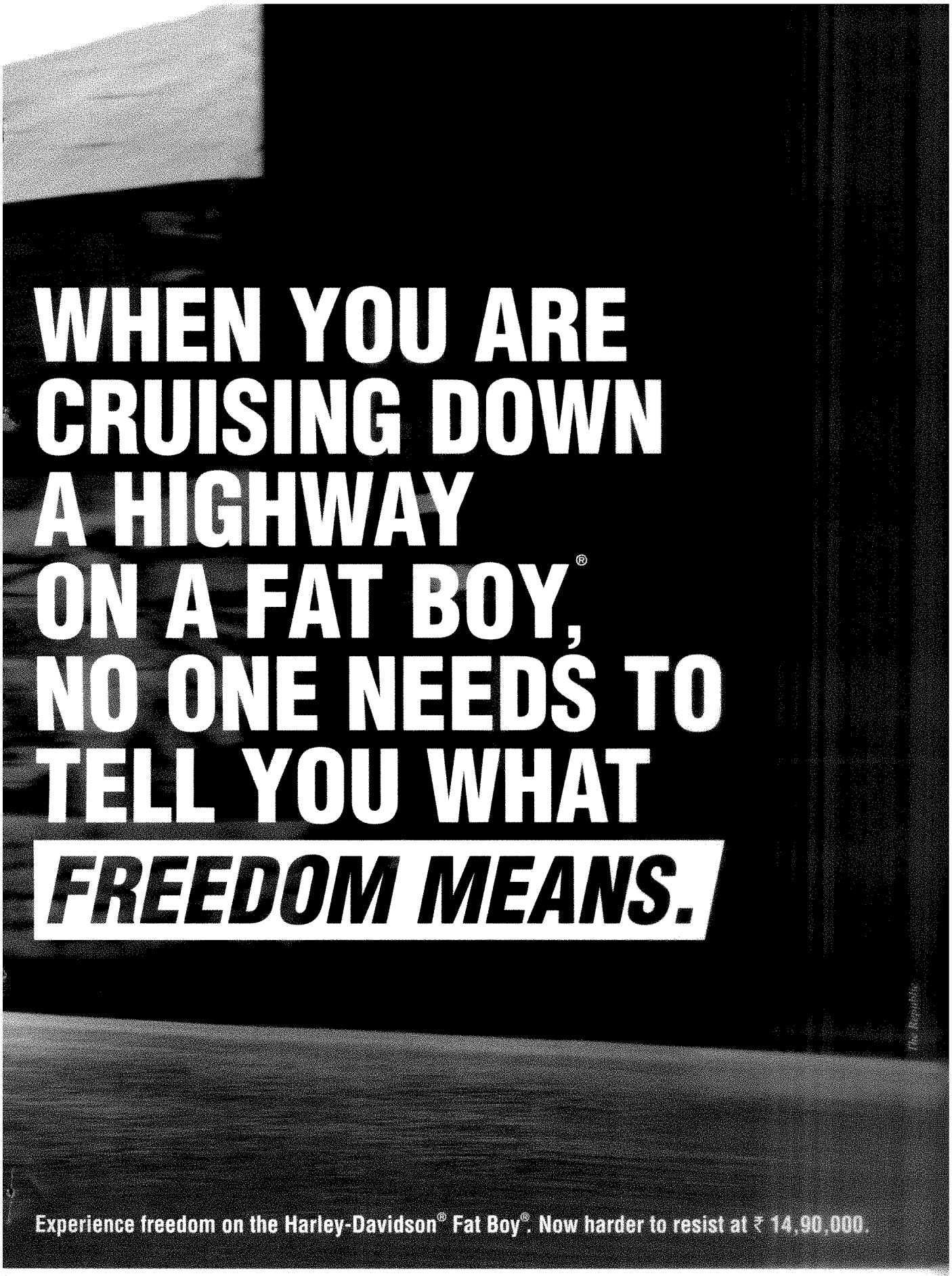

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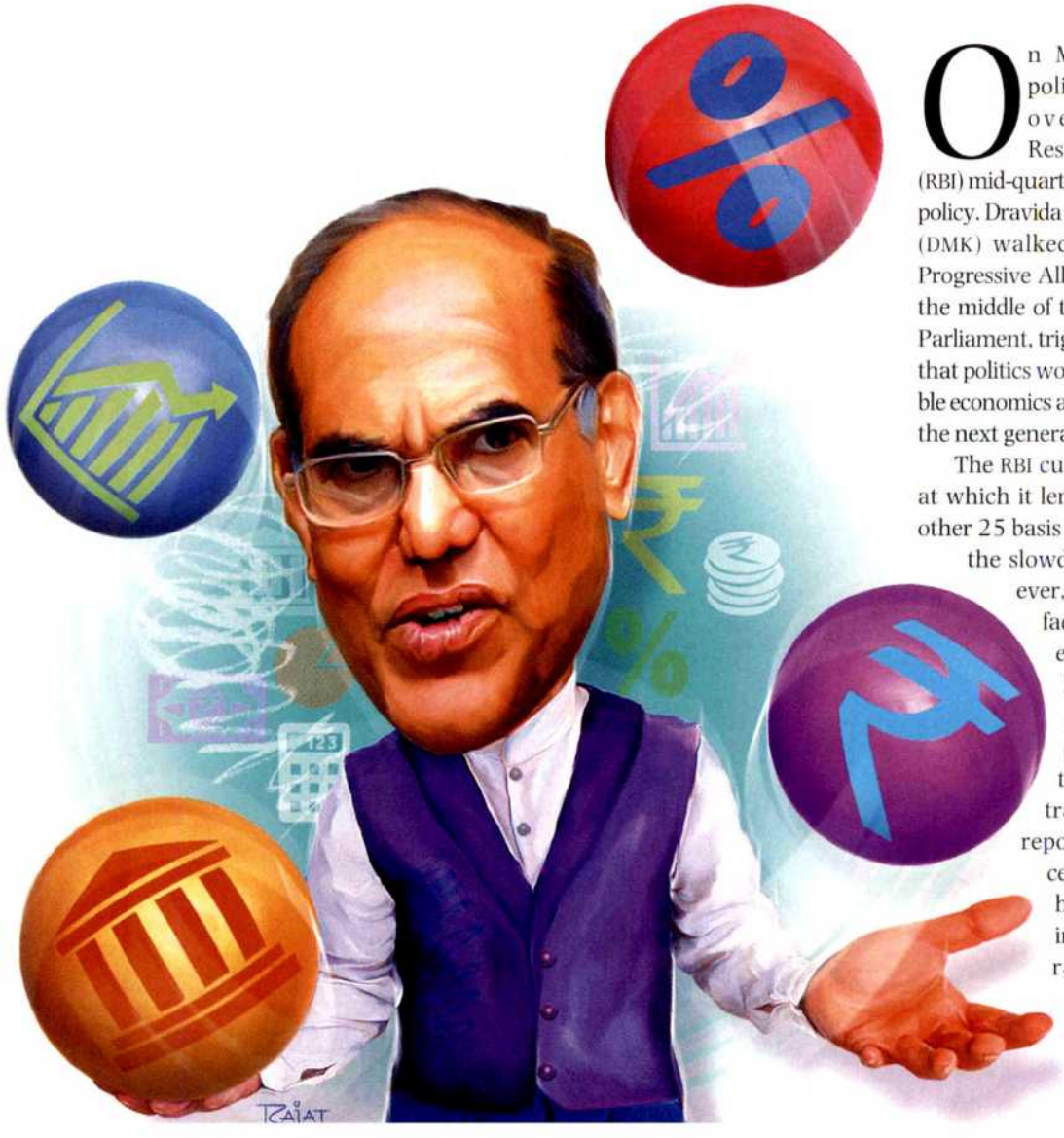
22 3G: Roaming Pain
26 A Laggard in the Lab
30 A Scientist at Heart

In a Bind

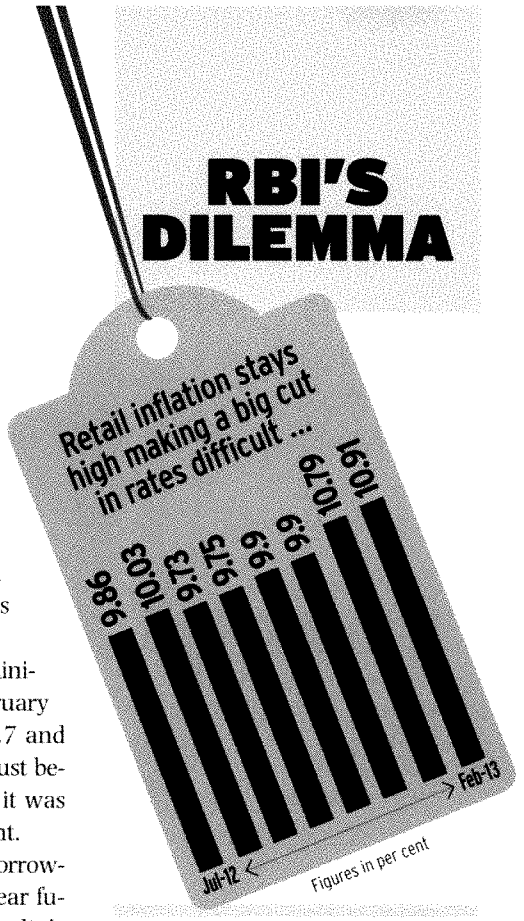
Monetary easing has had little impact so far because the supportive fiscal policy framework is missing. By **SANJIV SHANKARAN**

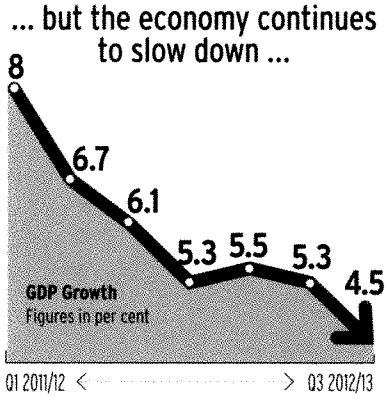


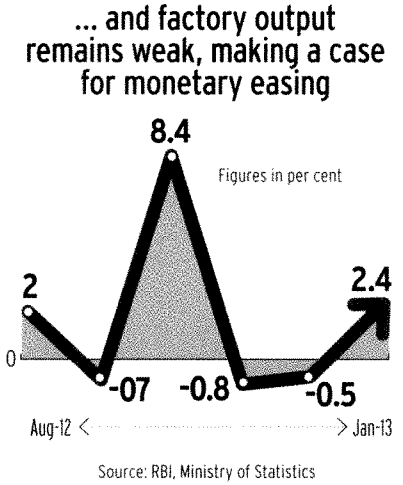
On May 19, dramatic political developments overshadowed the Reserve Bank of India's (RBI) mid-quarter review of monetary policy. Dravida Munnetra Kazhagam (DMK) walked out of the United Progressive Alliance government in the middle of the Budget session of Parliament, triggering apprehension that politics would overwhelm sensible economics as India heads towards the next general elections.

The RBI cut repo rates (the rate at which it lends to banks) by another 25 basis points (bps) to arrest the slowdown. Politics, however, exacerbates the risk factors confronting the economy and underlines the monetary policy's limitations in dealing with it. Over the last year, the central bank has cut the repo rate by a full percentage point, but that has hardly translated into lower borrowing rates for companies and individuals as

RBI'S DILEMMA







Source: RBI, Ministry of Statistics

banks are struggling to deal with the fallout of three years of elevated inflation.

The banks' base rate, or minimum rate for lending, on February 22 this year was between 9.7 and 10.50 per cent. A year ago, just before RBI began cutting rates, it was between 10 and 10.75 per cent.

There is a slim chance of borrowing rates falling fast in the near future. State Bank of India, India's largest bank by assets, showed why. In March, the bank announced it was increasing deposit rates on term deposits exceeding a year by 25 basis points. Simply put, SBI has locked itself into a higher interest rate structure in a bid to attract household savings which have moved to other investments such as gold in an attempt to beat inflation.

Little wonder then that Naina Lal Kidwai, Country Head, HSBC India, and Director, HSBC Asia Pacific and president of industry lobby group FICCI, was circumspect while interpreting the RBI's move. "The key for industry is for lending rates by banks to come down, but this will happen only when banks are comfortable with deposits and deposit rates come down," she said in a media statement.

The combined impact of sticky food inflation and political turbulence, along with the failure of monetary easing to make much impact, do not bode well. Shubhada Rao, Senior President & Chief Economist at YES Bank points out that "sentiment is also key for investment." Rao expects RBI to pare the repo rate by 25 bps or, at best, by 50 bps in the remaining nine months of the year, provided the government follows through on its commitment to tighten fiscal policy.

Indeed, fiscal policy will hold the key to the RBI's initiatives in 2013/14. Political instability at the Centre, with DMK's decision to walk out, raises a question mark on the UPA's ability to stick to its budget commitment of lowering fiscal deficit to 4.8 per cent of GDP in the next fiscal year. As Subbarao said a week before the policy, "Fiscal consolidation, by definition, is a long-term game." Will a government that relies on outside support for a parliamentary majority be able to take hard decisions to rein in expenditure?

What is bothering the RBI is retail inflation, and especially food inflation, which has been in double digits over the past three months. "Concerns about inflation have not receded," says Rao. The RBI appears to have loosened policy to back the government's efforts to control fiscal deficit and move ahead with reforms. "The RBI has done its job even though inflation appears to be fairly high," says Madan Sabnavis, Chief Economist at Credit Analysis and Research Ltd.

The RBI has cautioned the government about stoking food inflation through upward revision in support prices ahead of the next agricultural season. A big increase can unhinge

GROWTH PANGS

Interest rates are not the problem. Other shortcomings must be addressed to stimulate growth

For all the grumbling about high interest rates, the current lending rates are among the lowest in over a decade. (See table) If the economy still grows at its slowest since 2002/03, interest rates cannot be blamed.

RBI governor D. Subbarao knows high interest rates can stymie growth and that a pick-up in investment is needed to revive the economy. Since January 2012, he has been trying to create a benign environment for investment, albeit without sacrificing inflation concerns altogether. There have nine occasions since then when he has eased policy using different instruments, including bringing down interest rates.

Yet fresh investments as a proportion of GDP dropped to 32.4 per cent in the third quarter of 2011/2012 from a little over 35 per cent in the first.

Subbarao's policy statement says so. Monetary easing is not enough. He cited getting fiscal policy right, removing hurdles to supply of goods and improving governance as essential requirements.

YEAR	LENDING RATES (%)
2000/01	11-12
2001/02	11-12
2002/03	10.75-11.50
2003/04	10.25-11
2004/05	10.25-11
2005/06	10.25-12.75
2006/07	12.25-14.75
2007/08	12.25-15.75
2008/09	11.5-16.75
2009/10	11-15.75
2010/11	8.25-9.50
2011/12	10-10.75
2012/13*	9.70-10.50

*Base Rate as on 22 February 2013 | Data relates to five major banks
Source: Reserve Bank of India

WHAT'S BOTHERING RBI IS RETAIL INFLATION, ESPECIALLY FOOD INFLATION, WHICH IS IN DOUBLE DIGITS

calculations on food subsidy for 2013/14.

Another subsidy the RBI will keep a close watch on is oil subsidy. For the moment, the government has indicated that oil marketing companies will be allowed to increase diesel's retail price in small doses to reduce oil subsidy. However, the absence of a clearly stated plan and timelines makes economists wonder if the government can stick to its budgeted oil subsidy target. High subsidies could upset the government's plans to curb the fiscal deficit and put upward pressure on interest rates. "There's been no concrete step to rein in subsidies," says Mukesh Anand, an economist at the think-tank, National Institute of Public Finance and Policy.

The uncertainty and depressed sentiments make economists sceptical about an early revival in investment and economic growth. Sabnavis feels the economy will grow at close to six per cent in 2013/14, which is lower than the finance ministry's projection of 6.1 to 6.7 per cent. (Also see *Keep the Faith*, page 50.)

The lead indicator that Sabnavis tracks closely is food inflation. If reined in, it will boost consumer spending spurring economic growth. And if the government sticks to its Budget promise of enhancing plan spending, which typically adds to infrastructure creation, the economy will finally also see private investment revive, he says.

The moot point is : Will Chidambaram get the space to initiate this virtuous cycle? Subbarao's moves depend on it. Without it, monetary loosening will be ineffective. ◆

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"Repo rate cut will have no impact on loan, deposit rates. Unless banks can reduce deposit rates, a lending rate cut is difficult"

Pratip Chaudhuri, *Chairman, State Bank of India, in* The Economic Times

"Broader economic indicators of growth and industrial production reflect weakness but with monetary policy stance shifting to support growth, I expect a gradual improvement in FY 2014"

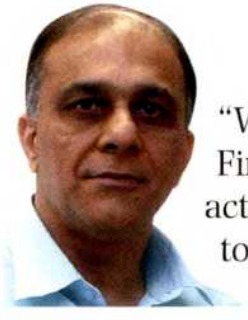
Dinesh Thakkar, *CMD, Angel Broking, to* Agencies

"The high current account deficit limits room for further easing... the slowdown in growth is structural and due to supply-side issues, and should be addressed through reforms"

Leif Eskesen, *Chief Economist, India and ASEAN, HSBC, to* Agencies

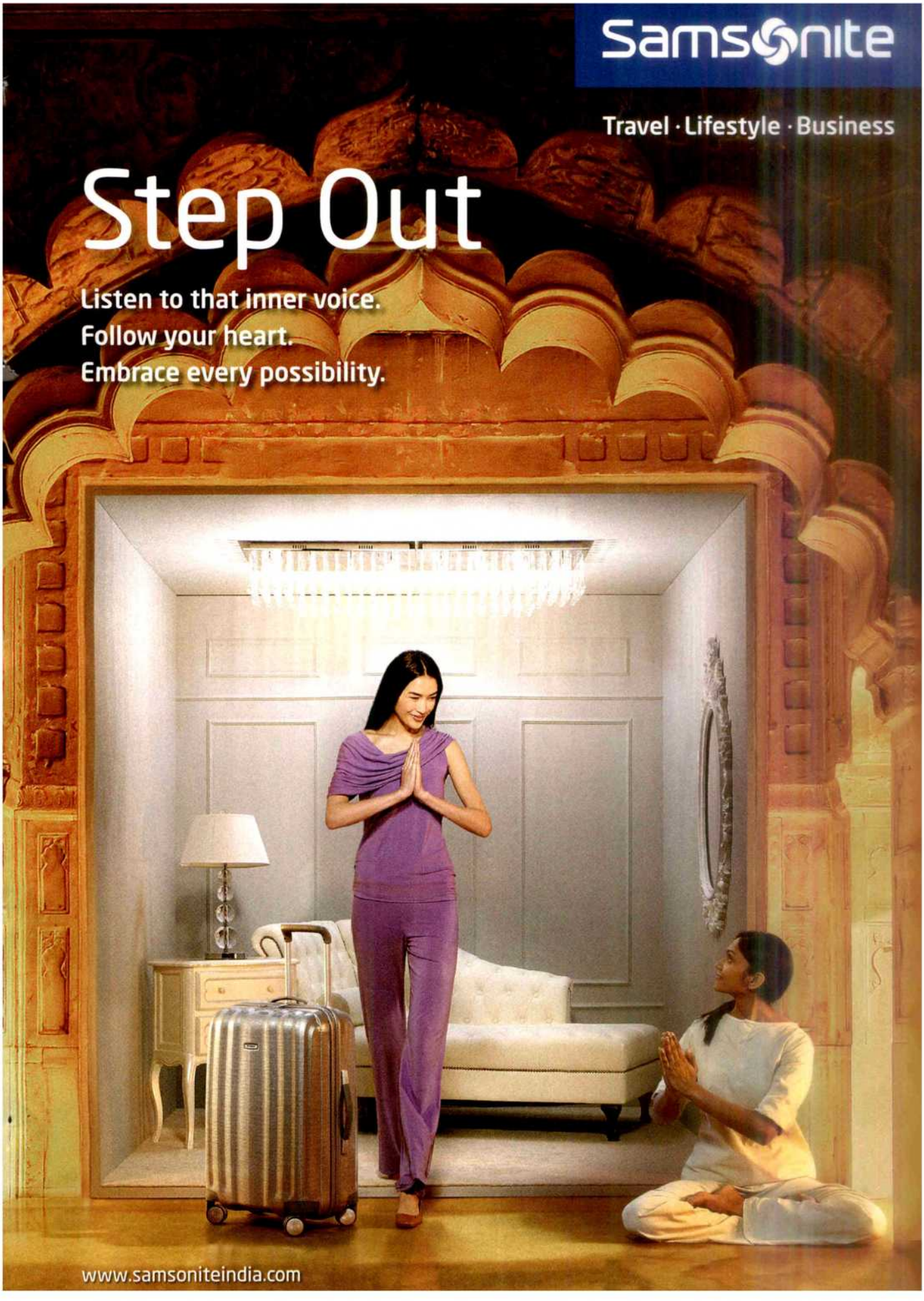
"CRR (CASH RESERVE RATIO) CUT DID NOT TAKE PLACE, BUT WE DRAW COMFORT FROM THE ANNOUNCEMENT THAT RBI WILL CONDUCT BOND PURCHASES TO INFUSE LIQUIDITY"

S.S. Mundra,
CMD, Bank of Baroda, in
The Economic Times



"With the fiscal discipline introduced by the Finance Minister, I believe this is a follow up action. Everyone is cautiously treading towards achieving growth"

Rajiv Talwar, *Executive Director, DLF Group, to* Agencies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Common Minimum Expectations

The UPA government will do its best to follow its economic agenda, but it will be naive to expect breakthrough reforms.

By SEBASTIAN P.T.

THE UPA GOVERNMENT IS AWARE OF THE FACT THAT REFORMS THROUGH LEGISLATION COULD HIT ROAD BLOCKS

When the Dravida Munnetra Kazhagam (DMK) decided to sever ties with the United Progressive Alliance (UPA) coalition on March 19, ending a nine-year long partnership, few feared for the government's survival. Most agreed inwardly with Bihar Chief Minister Nitish Kumar's comment: "The Congress knows the tricks of remaining in power." And so it has proved so far. Instead, the question many asked was: would the DMK's pullout make the Congress even more dependant on its allies and thereby hit Prime Minister Manmohan Singh's efforts to push through economic reforms and revive the economy?

Industry leaders *Business Today* spoke to, however, claim there is no reason to worry on this score as well. "The government will continue to implement the reforms it is committed to," says Adi Godrej, Chairman of Godrej Group. Harsh C. Mariwala, Chairman and Managing Director of consumer goods maker Marico Industries, agrees. "Reforms have not been dependent on coalition allies so much as on the government itself," he says.

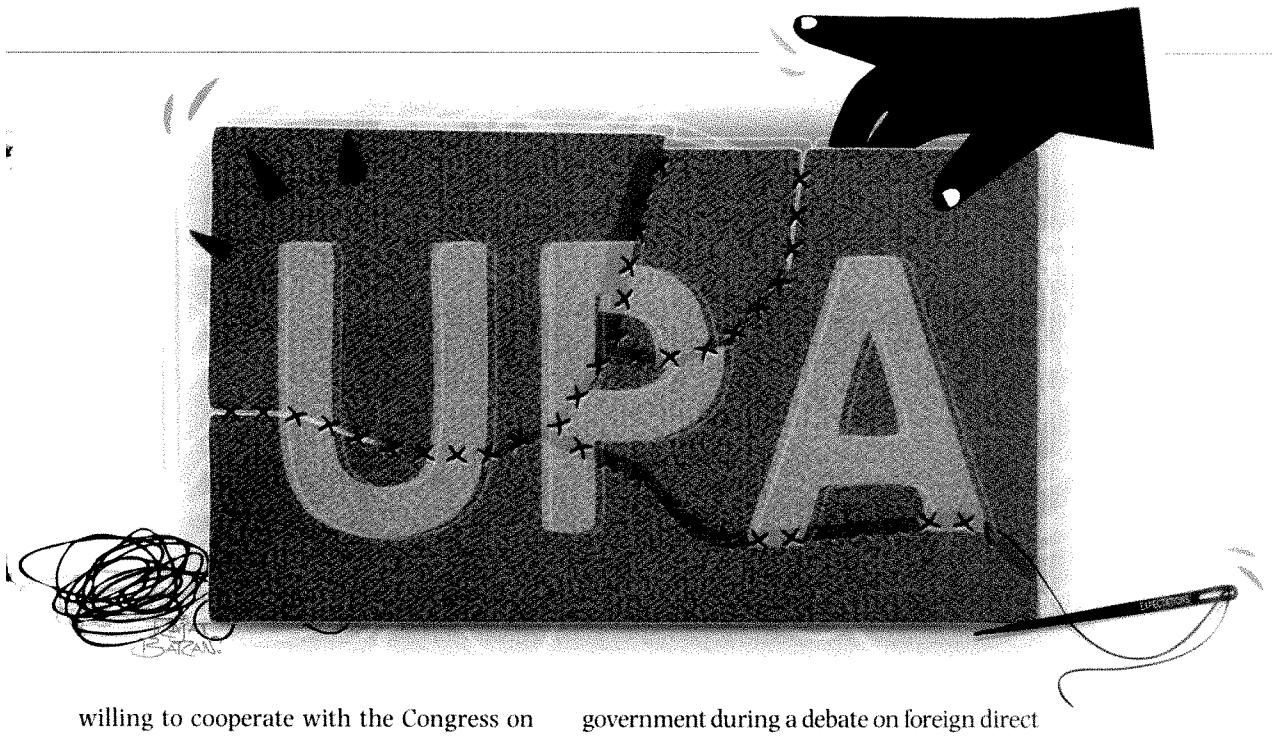
But Jagadish Shettigar, economic adviser to former prime minister Atal Bihari Vajpayee, feels expectations should be kept low. "Even if the government is stable, there is only a year left for elections. There is no scope for reforms," he says. General elections are due in May 2014.

There are challenges indeed before the government. It is struggling to boost an economy growing at its slowest pace in a decade. The challenges relate especially to passing crucial legislation in Parliament. While no party wants to be seen as opposing legislation such as the Food Security Bill for fear of being labelled anti-poor, there are differing views on several other proposed laws including the Land Acquisition Bill. Finance Minister P. Chidambaram though is confident. "I am sure that on the merits of each [reform] bill, political parties will support the government," he said on March 20.

A reality check is, however, in order. Take, for instance, the pension and insurance bills. The BJP supports these, albeit with certain changes. The main Opposition party is willing to back the Congress, and their combined numbers should see both bills through. But, with elections on the anvil, the Congress may find it risky to be seen collaborating with the BJP. This may also provide just the reason for Samajwadi Party chief Mulayam Singh Yadav, who opposes the bills, but is supporting the government, to pull the plug on it. Shettigar says the BJP was

"Reforms have not been dependent on allies so much as on the government itself"

HARSH C. MARIWALA
CMD, Marico Industries



willing to cooperate with the Congress on these bills during the UPA's first stint in power from 2004 to 2009, but the Left parties were opposed to it at the time. "A similar scenario exists now," he says.

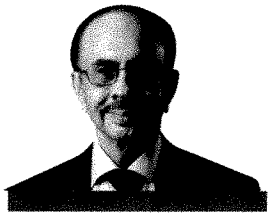
There are also problems in implementing the Goods and Services Tax (GST), considered the biggest reform of the indirect-tax system. Chidambaram is keen on introducing GST by the next fiscal year, but this seems difficult. "Too much needs to be done, especially on the nitty-gritty of how to administer the GST regime," says R. Kavita Rao, Senior Fellow, National Institute of Public Finance and Policy. There is also the possibility that the Opposition parties may not want to give credit for such a breakthrough reform to the Congress-led government, and may therefore keep stalling it. They would perhaps prefer to wait till after the elections.

The role of Parliamentary Affairs Minister Kamal Nath will be key in getting the crucial bills through Parliament, says T.V. Mohandas Pai, Chairman, Manipal Universal Learning. Nath has emerged as the government's top trouble-shooter. His skills were on full display during the winter session of Parliament when he managed to get warring rivals Mayawati and Mulayam Singh Yadav to support the government during a debate on foreign direct investment. "He (Nath) knows how to handle allies," says Arun Nanda, Non-Executive Chairman of Mahindra Lifespace Developers.

Sources say that, given the political scenario, the government has reconciled to the fact that reforms through legislation could hit road blocks. With about ₹7 trillion (one trillion equals 100,000 crore) worth of projects pending approval, the plan is to first clear those that do not need any changes in the law, says a senior government official. "We will not wait for political consensus," he says. "Many reforms will come through executive orders."

So far, unperturbed by the DMK pullout, the government has been continuing with its economic agenda, such as a stake sale in Steel Authority of India. Chidambaram has been unyielding on meeting the targets of lower fiscal and current-account deficits, and attracting investment. Sanjaya Baru, former media adviser to the prime minister, says the steps mentioned in the Budget in February are enough to turn the investment scenario around.

Not everyone is convinced. The economy needs immediate results, says Mahendra Jain, Director at consulting firm Ernst & Young. "Sentiment will improve only when we see concrete actions rather than words." ◆



"The UPA government will continue to implement the reforms it is committed to"

ADI GODREJ
Chairman, Godrej Group

Roaming Pain

The Centre and telecom operators must resolve their dispute over 3G roaming soon to ensure end users do not suffer.

By MANU KAUSHIK

There is no end in sight yet to the dispute between the Centre and telecom operators over third-generation (3G) roaming services. On March 18, the Delhi High Court stayed a Department of Telecom (DoT) directive asking Bharti Airtel to stop offering high-speed data services where it does not have 3G spectrum. Five days earlier, the court had passed a stay order in a similar case involving Idea Cellular. The orders come as a breather not only for the operators but also for their 3G subscribers.

The origins of the dispute lie in the 3G auctions of 2010 where no operator got pan-India bandwidth. Bharti, Vodafone and Idea won spectrum in 13, 9 and 11 circles, respectively, and later formed alliances for the remaining circles. This allowed them to offer 3G services across the country by sharing airwaves. The three companies now have about 12 million 3G users.

Analysts view these pacts favourably. "Using each others' network ensures optimum utilisation of resources," says Mahesh Uppal, partner at consultancy Com First.

Telecom operators claim that a February 2010 explanatory note by the DoT prior to the 3G auction permitted roaming. The DoT though says such pacts are "illegal".

OPERATORS SAY A NOTE BY THE TELECOM DEPARTMENT PRIOR TO THE 3G AUCTION IN 2010 PERMITTED ROAMING

The dispute first reached the Telecom Disputes Settlement and Appellate Tribunal, which gave a split verdict in July last year. In November, the DoT sought to make its position stronger when it added a clause to stop this practice in the letters of intent issued to operators in a bandwidth auction. Idea moved the Delhi High Court in February against the clause. Bharti approached the court in March after it received a DoT notice for its roaming pacts with Idea and Vodafone.

Analysts believe operators have a strong case. Uppal says the rules governing the usage of 3G spectrum are ambiguous. "The government should make policies that benefit the end consumer," he says.

Shobhit Khare, analyst at brokerage Motilal Oswal Securities feels that operators should be allowed to use any bandwidth to offer multiple services. "3G is just a technology. If an operator has a licence for a particular circle, it should be allowed to offer any service – 2G, 3G or landline," he says.

While the high court's ruling can go either way, a victory for operators will be welcomed by consumers. If the DoT wins, consumers will have to wait till the time more 3G bandwidth is released into the market for accessing data services across India. ◆

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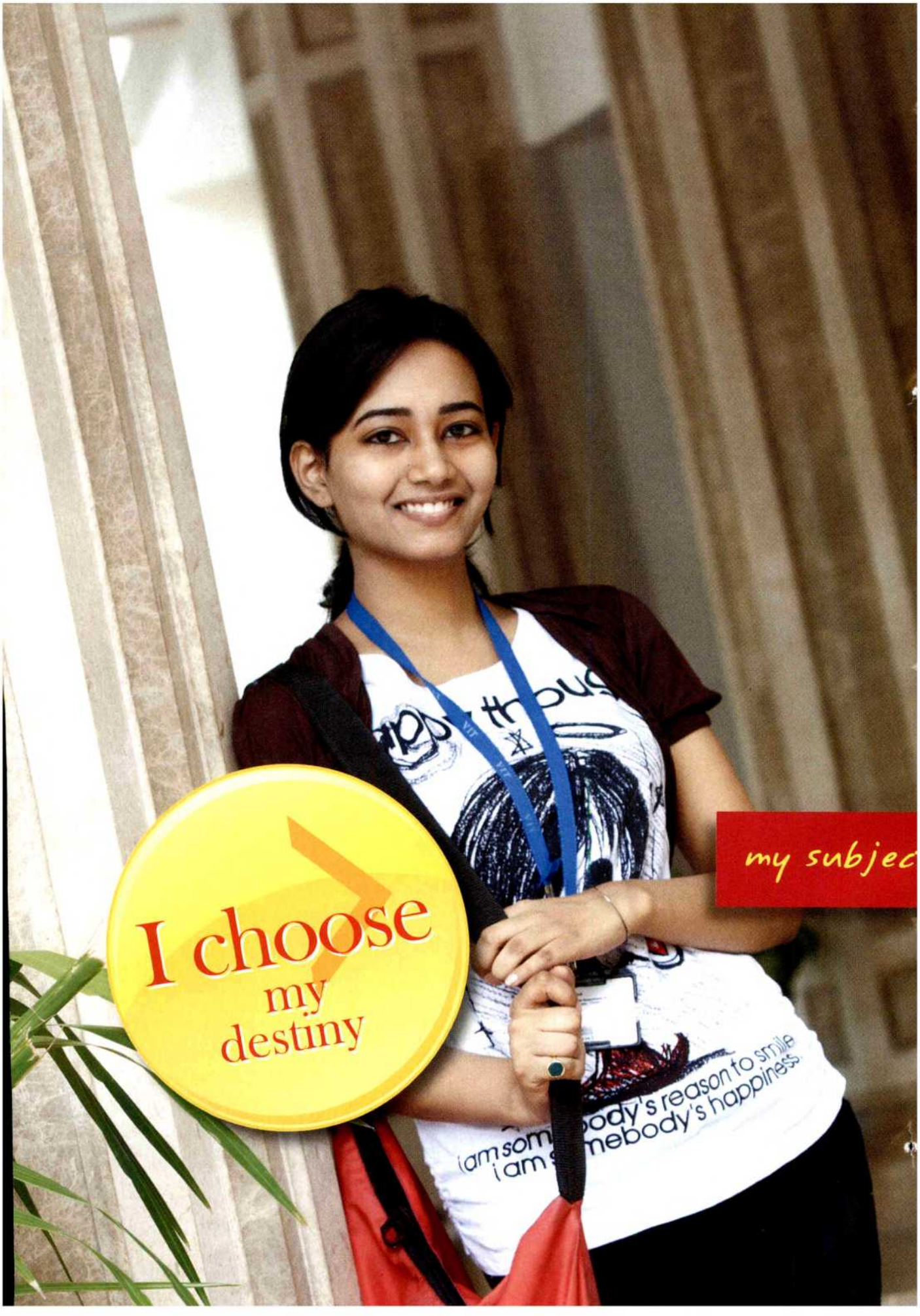
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A LAGGARD IN THE LAB

In a competitive, globalised economy, companies need to innovate constantly to remain in the reckoning. Indian companies, however, have not yet woken up to the need to boost spending on research and development (R&D), through which alone product innovation is possible. India lags behind most countries, both developed and developing, in terms of annual R&D spends and patent filings

Graphic by **Santosh Kushwaha** ● Research by **Jyotindra Dubey**

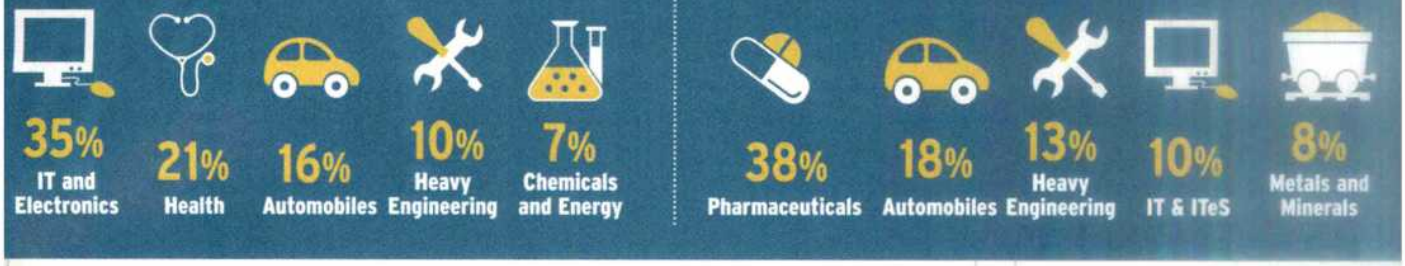
1 Of the 10 companies which spend the most on R&D in India, six have reduced their expenditure on it as a percentage of revenue in the past few years

	2007/08		2011/12	
	R&D Expenditure*	% of Revenue	R&D Expenditure*	% of Revenue
Dr. Reddy's Laboratories	354	9.3	595	6.0
Tata Steel	618	2.7	506	0.4
Mahindra & Mahindra	205	1.5	488	0.8
Ranbaxy Laboratories	428	9.7	453	4.2
Sun Pharmaceutical Industries	273	8.2	409	4.7
Cadila Healthcare	134	7.1	364	6.7

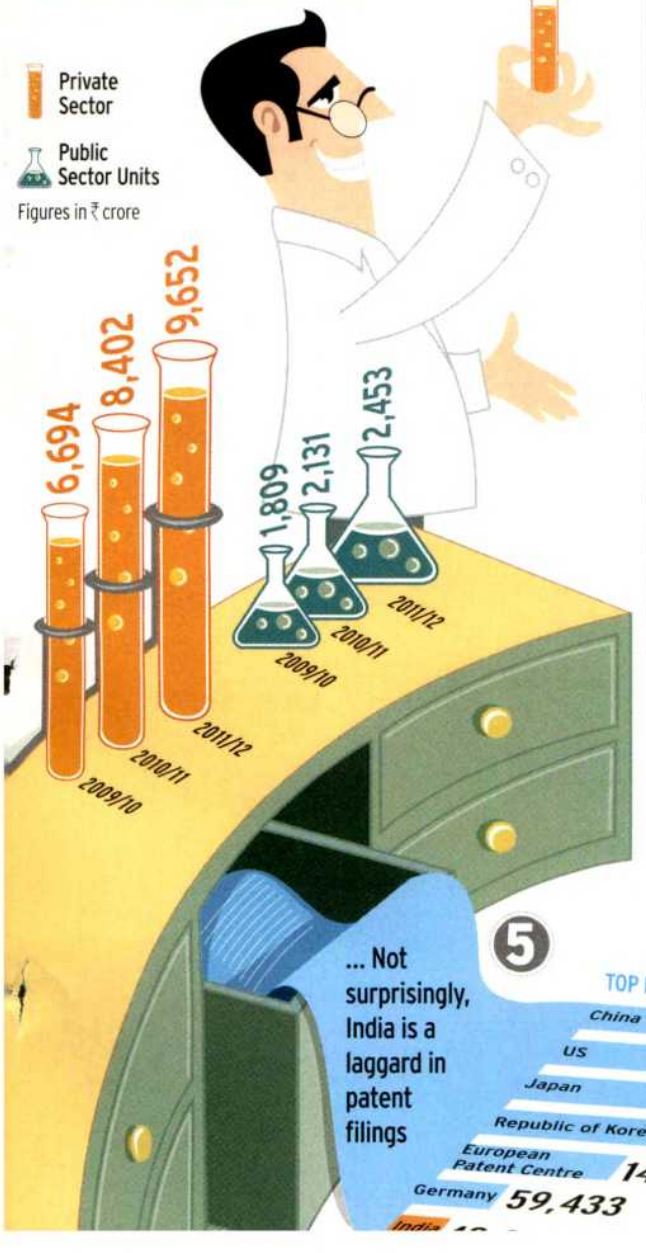
*Figures in ₹ crore

The remaining four in the top ten - BHEL, Infosys, Lupin and Bharat Electronics - showed a marginal increase in their R&D expenditure as a percentage of revenue

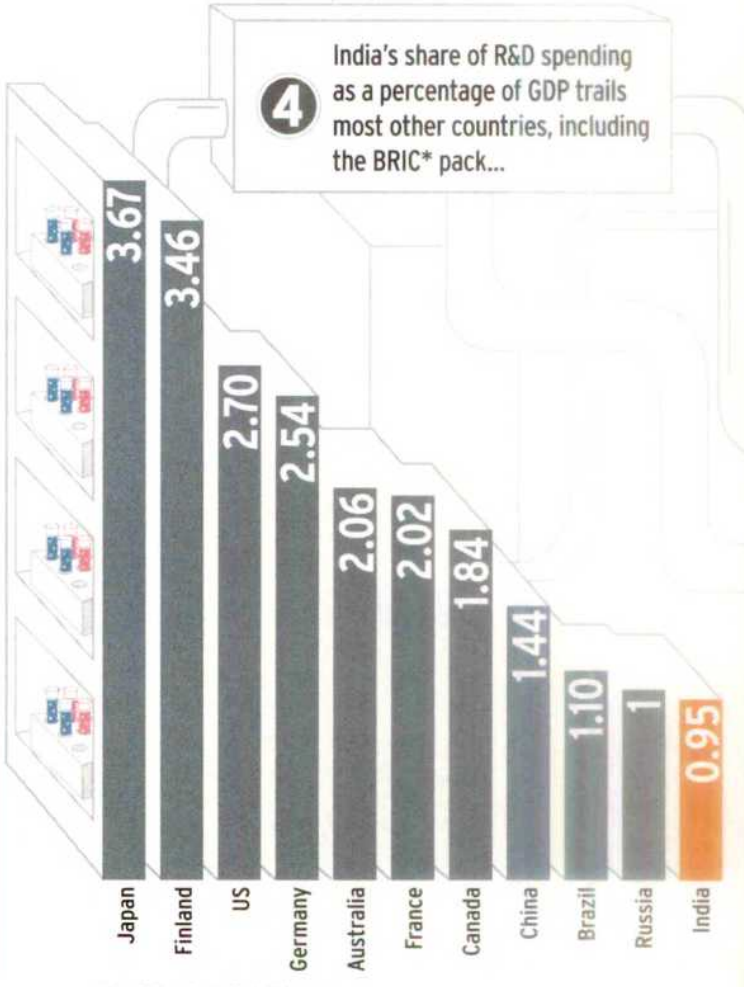
2 Pharma accounts for more than a third of R&D spends in India. Globally, the IT sector leads the way



3 The private sector accounts for the bulk of R&D spends in India

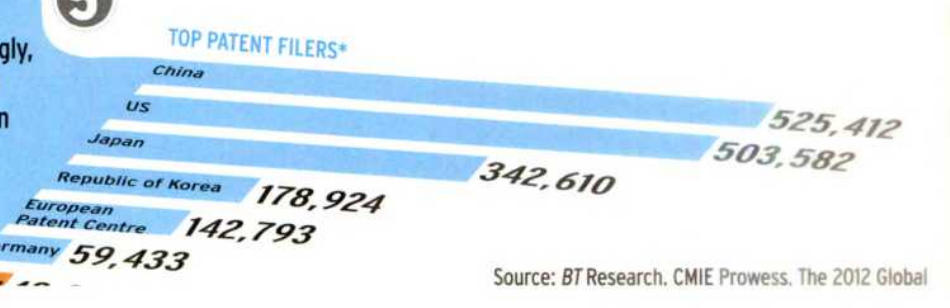


4 India's share of R&D spending as a percentage of GDP trails most other countries, including the BRIC* pack...



*Brazil, Russia, India & China

5 ... Not surprisingly, India is a laggard in patent filings



Source: *BT* Research, CMIE Prowess, The 2012 Global

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DEAL WATCH

BIGGEST DEALS IN THE PAST 30 DAYS*

Generic drugmaker Mylan Inc. will acquire Agila Specialties – a developer, manufacturer and marketer of high-quality generic injectible products – from Strides Arcolab for $1.6 billion (₹8,674.2 crore) in cash. The transaction is expected to close in the fourth quarter of 2013, subject to regulatory approvals. The acquisition will help Mylan expand and diversify its product portfolio, extend its geographic footprint and strengthen its presence in the high-growth injectables segment.

Mylan, one of the world's largest generic drugmakers, aims to be among the top three companies globally in injectables and the buyout of Agila is a step in that direction. "The addition of Agila to our existing injectables platform will immediately create a new, powerful global leader in this fast-growing, attractive market segment," said **Heather Bresch**, CEO, Mylan. Bangalore-based Agila has a portfolio of more than 300 products marketed in 70 countries, including 61 abbreviated new drug applications (ANDAs) approved by the US Food and Drug Administration (FDA). It has nine manufacturing facilities in India, Brazil and Poland – eight of which have been approved by the FDA.

RAJAT BARAN

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ACQUIRER
CHALET HOTELS
DEAL VALUE (₹ CR)
568.7

TARGET	ACQUIRER	DEAL VALUE (₹ CR)
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Orient Green Power	Shriram Industrial Holdings	369.8
GMR Jadcherla Expressways	Macquarie SBI Infrastructure Fund	207.5
Complex IT	Satyam Computer Services	159.9
Unichem Laboratories-Drug Manufacturing Plant	Mylan Inc.	159.7
M/s Future Finance	APAC Consultants	150.7

Ernst & Young is a leading global professional services firm. The data is based on media reports and company announcements. Any decision on the basis of this information should be taken only after professional advice. *Business Today* and Ernst & Young do not take any responsibility with regard to such a decision.
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A Scientist at Heart

K. Anji Reddy founded what is today one of India's biggest drug companies, but his larger contribution was his focus on research and development. By E. KUMAR SHARMA

Anyone who ever met Kallam Anji Reddy will recall him gradually leading most conversations into the realm of chemical formulae, innovations and drug discoveries. It was this passion for research that was the abiding characteristic of the founder and chairman of Dr Reddy's Laboratories (DRL) who passed away on March 15 in Hyderabad. His death after a protr-acted battle with liver cancer is a major setback to the Indian pharmaceutical industry (see *businesstoday.in/reddy-succession*).

Kallam Anji Reddy
1941-2013

Reddy, who finished writing his autobiography shortly before his death, is a pioneer of the country's generics drug industry and helped transform the way the world perceives Indian drug makers. "He was my role model and I drew a lot of inspiration from him," says Glenn Saldanha, Chairman and Managing Director of Glenmark Pharmaceuticals. "The fact that he could show the path for drug research in India was a very big thing for all of us. Had it not been for him, I think drug discovery and research would not have gone anywhere in India."

REDDY HELPED TRANSFORM THE WAY THE WORLD PERCEIVED INDIAN DRUG MAKERS

Born to a turmeric farmer father in Andhra Pradesh in 1941, Reddy completed Ph.D. in chemical engineering from Pune's National Chemical Laboratory and began his career with the state-run Indian Drugs and Pharmaceuticals Ltd (IDPL) in 1969. He became an entrepreneur in 1976, setting up Uniloids. In 1980, he started Standard Organics before founding DRL four years later with an initial capital of ₹25 lakh. Today, DRL is one of India's leading pharmaceutical companies with revenue crossing ₹9,670 crore in 2011/12. The company listed on the Bombay Stock Exchange in 1986, and in 2001 became the first Indian drug maker – and the only one so far – to list on the New York Stock Exchange.

In the 1980s, Indian drug makers had yet to discover the 'reverse engineering' skills – making copycat versions of drugs invented by multinational companies at a fraction of their prevailing cost – which made them globally renowned later. DRL was one of the first to take this route. In 1985, just a year after DRL was founded, it started making methyldopa, an off-patent drug discovered by Merck to treat high blood pressure.

Soon after, it started making and exporting other drugs. The company now makes drugs to treat diseases ranging from gastrointestinal ailments and cardiovascular diseases, to diabetes and cancer. Apart from India, its major markets are the United States, Russia, Germany, Britain, Venezuela, South Africa, Romania and New Zealand. In 2007, it became the first Indian company to make a biosimilar monoclonal antibody to treat non-hodgins lymphoma, a form of blood cancer.

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"REDDY WAS MY ROLE MODEL AND I DREW A LOT OF INSPIRATION FROM HIM"

Glenn Saldanha, CMD, Glenmark Pharmaceuticals

Reddy believed India could launch a new drug for the world market. To realise this vision, he started investing in research activities from 1993. In 1997, DRL became the first Indian company to grant a licence to a western drug maker to develop a molecule it had discovered. The molecule, Balaglitazone, was licensed to Denmark-based Novo Nordisk. In 2001, DRL granted a licence for an anti-diabetes agent to Novartis in a $55 million deal. This included an upfront payment of $5 million, while the rest was linked to future milestones. (In January 2003, however, Novartis decided against taking up further development of the molecule.) Again in 2001, DRL became the first Indian company to get a 180-day exclusive marketing rights for an anti-depressant generic drug in the US.

"Dr Reddy was very much focused on fundamental research and development," says Yusuf Khwaja Hamied, Chairman of drug maker Cipla. Hamied had known Reddy from the time he worked at IDPL. Glenmark's Saldanha says he draws inspiration from the molecule licensing deals that DRL entered into early on. "Reddy led young people like me to believe that research can be done in India at an affordable cost," he says.

Saldanha recalls inviting Reddy to Glenmark's R&D facility in Mumbai about a decade ago to seek his views on conducting research in India. "He was impressed with what we were doing," says Saldanha. Today, Glenmark has half-a-dozen molecules in the drug discovery pipeline. Though DRL has not been able to take a completely new drug all the way to the market so far, Saldanha feels it does not take away anything from Reddy's achievement. "Drug discovery is a long and painful journey. We also have not hit the market with a new drug despite putting our hearts and souls into it for the last 12 to 13 years. Our best case is between 2017 and 2020 when we may be able to bring a drug to market," he adds.

Hasit B. Joshipura, Managing Director at GlaxoSmithKline Pharmaceuticals, says Reddy contributed to the Indian drug industry in multiple ways. "He not only developed a very robust generics business model but was also one of the first to look beyond that and invest in drug discovery and research with an aim to bring an original molecule or new drug to market," he says. "He was clearly a visionary who could see well beyond the immediate."

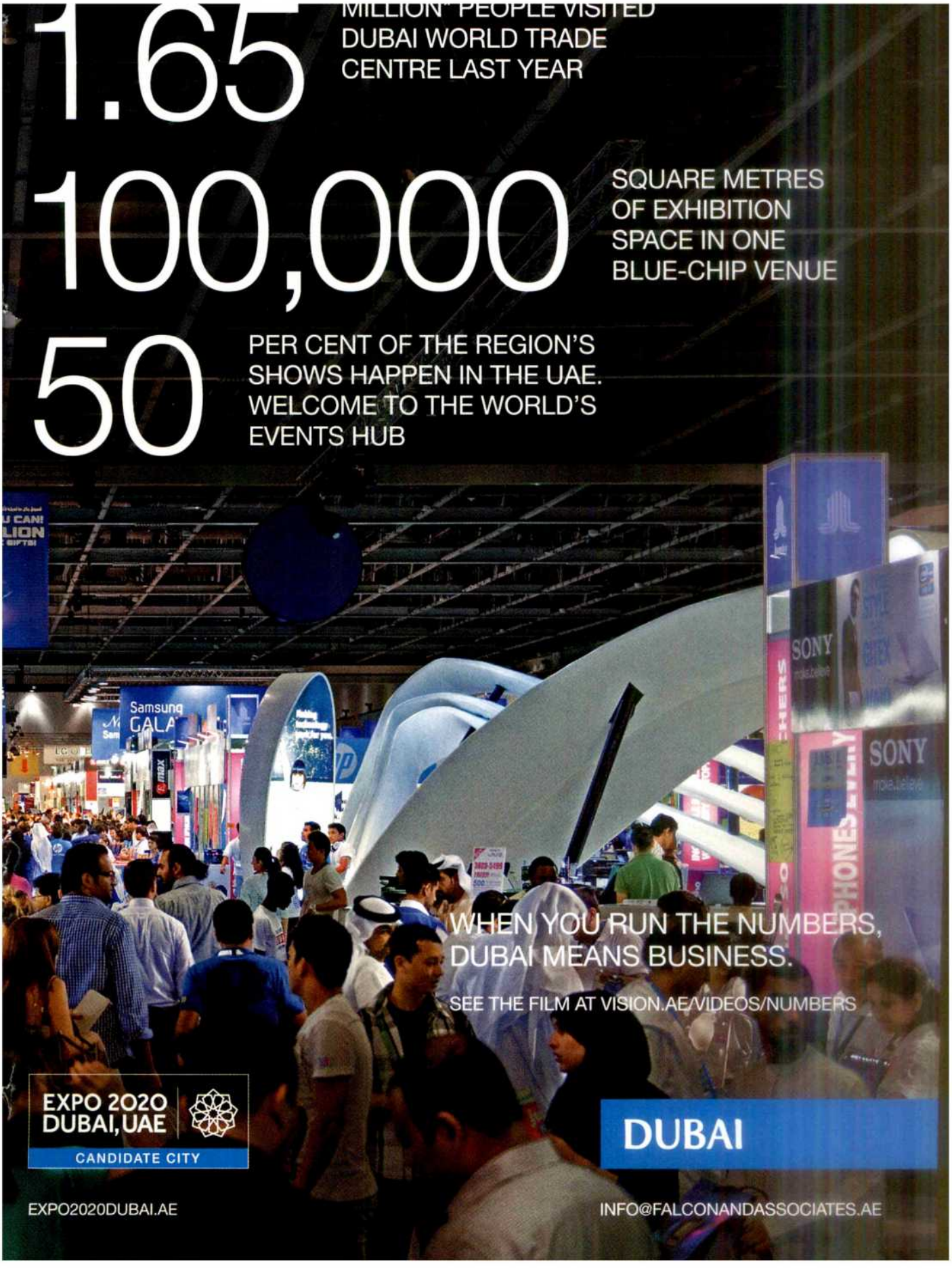
V.C. Nannapaneni, Chairman and Managing Director of Natco Pharma, says Reddy played an important role in putting Hyderabad on the drug map of India and spurring greater activity in the sector as a whole. "Many people who worked with him later set up very successful companies," he says. Murali K. Divi, for instance, set up Divi's Laboratories, and B. Parthasaradhi Reddy founded Hetero Drugs after previously working at DRL.

Reddy was also involved in philanthropic projects which sought to alleviate hunger, create livelihood, provide education, access to safe drinking water, and stop hazardous industries from employing children. *Business Today* highlighted his philanthropic work in an earlier report (see *businesstoday.in/anji-profile*). In 2011, Reddy was awarded the Padma Bhushan, India's third-highest civilian award, for his contribution to the drug industry.

In December 2005, Reddy told *Business Today* that "the spirit of adventurism is very important" to compete with the best in the world. What was his vision for DRL? "I want my company to be the most admired company not for the billions of dollars it makes, but for the ingenuity with which it discovers drugs and the science that it develops."

It is now up to the people he leaves behind to fulfill his dreams. ◆

REDDY BELIEVED INDIA COULD SOME DAY LAUNCH A NEW DRUG FOR THE WORLD MARKET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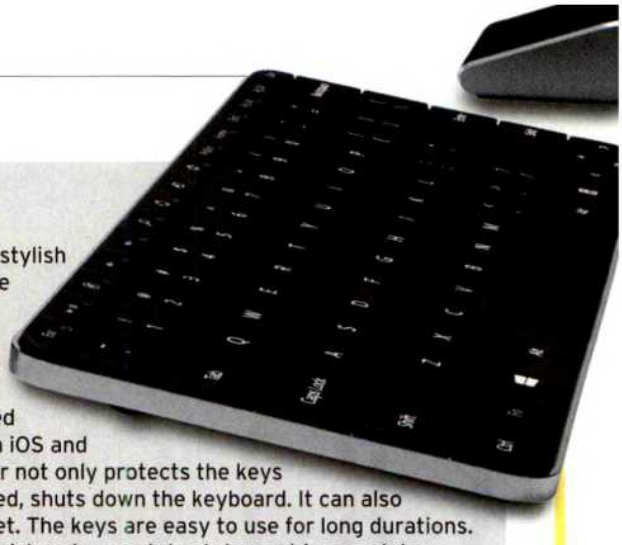

Style Statement

The Microsoft Wedge Keyboard is ultra-stylish and sturdy, with a minimalist design. The two batteries are loaded into a small stand at the bottom that gives the keyboard an ergonomic incline. There are no function keys, but Windows 8 charms keys. While it is meant to be used with the Microsoft OS, it works well with iOS and Android tablets too. A hard rubber cover not only protects the keys from spills and dust but also, once draped, shuts down the keyboard. It can also be folded and used as a stand for a tablet. The keys are easy to use for long durations. Pair this with a new Wedge mouse (see pic) and your style statement is complete.

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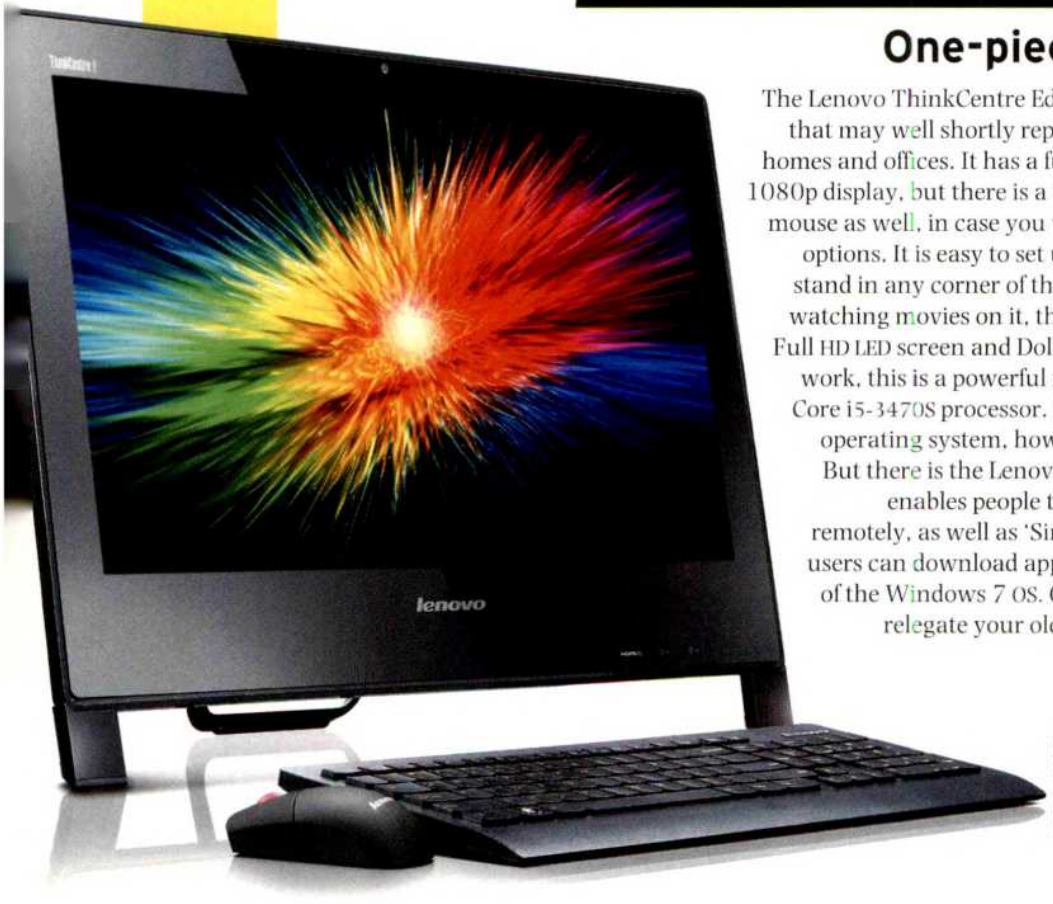

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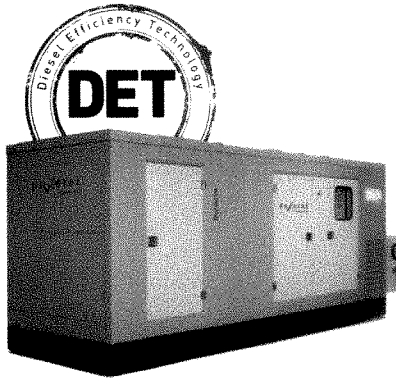

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Magic Shoes

It is a footwear upgrade beyond imagining. Google has outfitted a pair of shoes from German sportswear giant Adidas with a computer, a speaker, an accelerometer, a gyroscope and a pressure sensor. The shoe, which utilises Bluetooth technology to connect to the Internet, can provide directions, increase the speed of the wearer's walk and can even dish out amusing small talk if the wearer has downloaded the requisite app.

Through the Roof

Contrary to popular belief, neither Mumbai nor Delhi figures in the list of the 10 most expensive housing markets in the world. Heading it is the tiny principality of Monaco in Europe, where land prices range from $5,350 to $5,920 per square foot. Then come Hong Kong and London, followed by Geneva, Paris Singapore, Moscow, New York, Sydney and Shanghai.

Blocked Corridor

The construction of the third phase of the Mumbai Metro from Colaba to SEEPZ via Bandra, announced with much fanfare a year ago, may stretch well beyond 2019, the current deadline. Work has not even begun on the ₹24,500-crore, 33.5 km, 27-station project, because of clearance delays. An empowered committee under the Cabinet Secretary has to still approve it, followed by an empowered group of Central ministers.

HOW THINGS WORK

ILLUSTRATION BY SANTOSH

The Italian (Snow) Job

The Italian government left India sputtering with rage with its announcement that two Italian Navy marines, who had been jailed for killing two Indian fishermen off the Kerala coast in February 2012, but who were allowed to return home to cast their votes, were not in fact being sent back. Finally, after a fortnight-long standoff, Italy relented. The marines will return to India. A look at India-Italy relations:

History: There are few historical ties between the two countries. Though Indian prime ministers have routinely visited Italy and vice versa, especially since the 1980s, Italy has no special significance for Indians, barring the fact that United Progressive Alliance Chairperson Sonia Gandhi is of Italian descent.

Controversies: The Bofors scam piqued Indian interest in Italy after Italian businessman Ottavio Quattrocchi, known to be close to Sonia Gandhi, was named by the Central Bureau of Investigation as one of the conduits for the Bofors' kickbacks. Finmeccanica, in the eye of a new kickback storm involving AgustaWestland helicopters which broke earlier this year, is also a leading Italian industrial group.

Trade ties: Italy is among India's top five trading partners in the European Union, bilateral trade between them amounting to €8.52 billion in 2011/12, an increase of 18 per cent over the previous financial year. Around 140 Italian companies, including brands such as Fiat, Perfetti, and Piaggio, have invested in India. TCS, Wipro, Larsen & Toubro, and Mahindra & Mahindra are among the Indian companies active in Italy.

People ties: It is a little known fact that after Britain, Italy is the European country with the highest number of Indians, around 140,000, most of whom moved there in the 1990s when they were welcomed following a severe labour shortage. The majority are from Punjab and work in the countryside.

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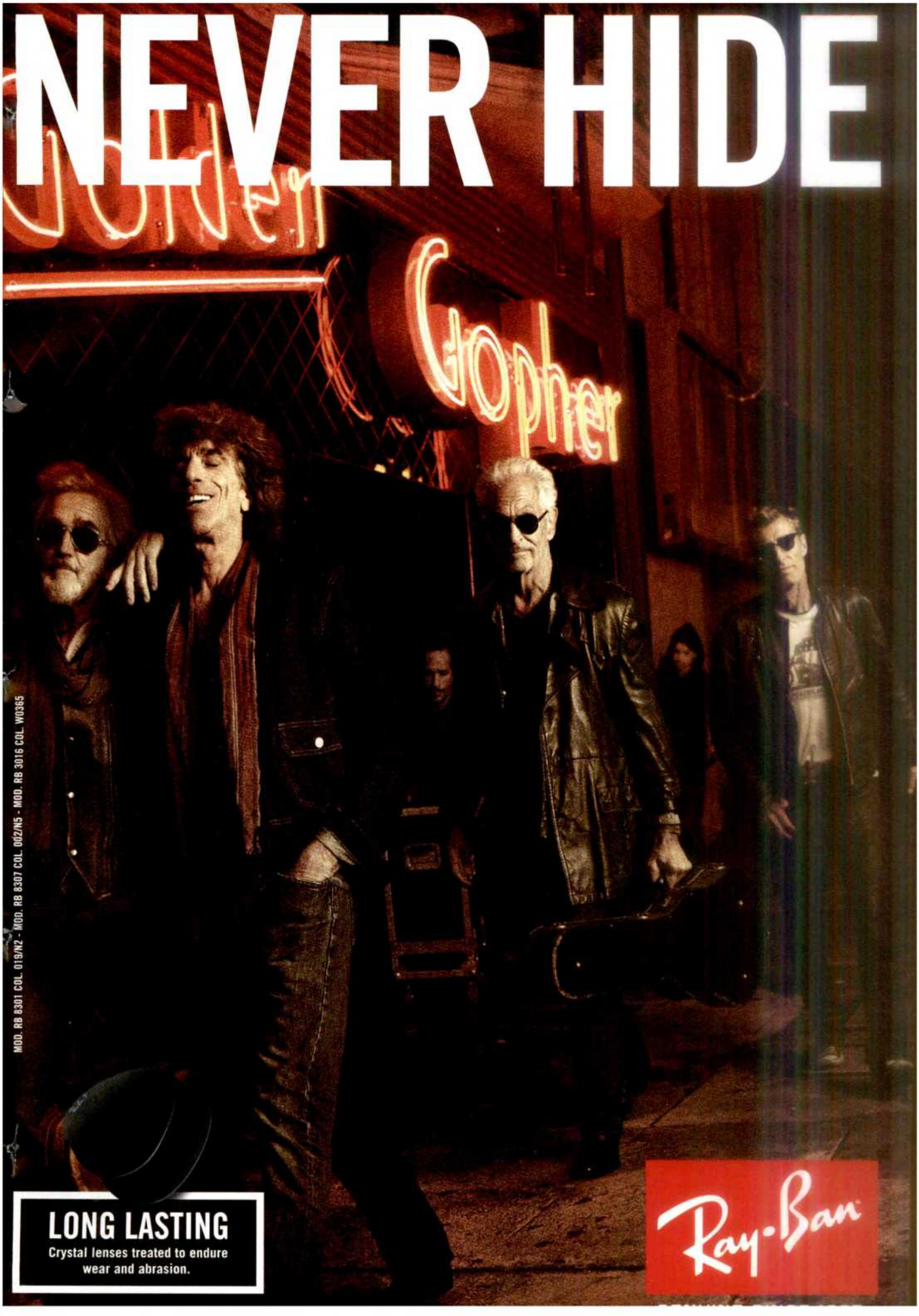
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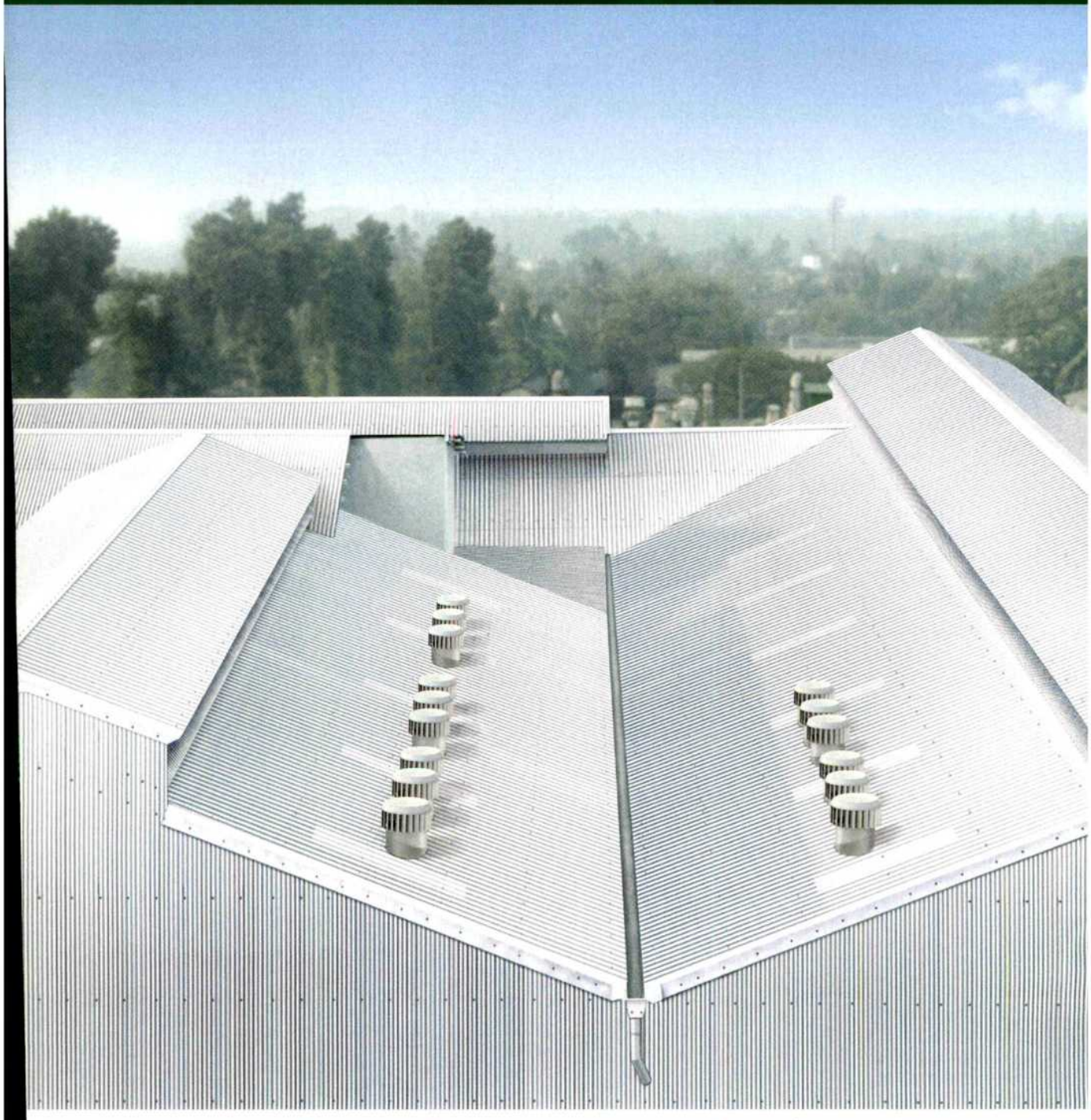

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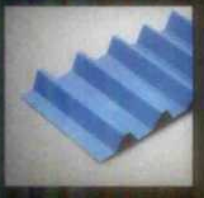

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Poverty of Policy

Given the rising inequality in many developing countries, the ways in which governments measure and tackle poverty are suspect

Global leaders have touted the apparent success of achieving in 2010 – well ahead of the 2015 target – the Millennium Development Goal (MDG) of halving the share of people who were living below the poverty line – defined as the purchasing power parity equivalent of $1.25 per day in 2005 – in 1990. But, amid enduring poverty, rising inequality, and lacklustre growth in many developing countries, the success of past anti-poverty policies and programmes appears dubious.

In fact, outside of East Asia, progress has been modest, with the situation worsening in some countries and regions – despite several economic growth spurts, sustained expansion in some large developing countries, and public commitments by the international community to the 2000 Millennium Declaration, which led to the MDGs.

This mixed record calls into question the efficacy of conventional poverty-reduction policies, often identified with the Washington Consensus, which transformed the discourse on poverty in the 1980s. Washington Consensus reforms – including macroeconomic stabilisation (defined as low-single-digit inflation) and market liberalisation – were supposed to reduce poverty by accelerating economic growth.

But little attention was paid to poverty's structural causes, such as inequality of assets and opportunities, or the unequal distributional consequences of growth. And, because unskilled workers tend to lose their jobs first in economic downturns, while employment generally lags behind output recovery, reduced public investment in health, education, and other social programmes ultimately increased the vulnerability of the poor.

Not surprisingly, therefore, the fallout from the global economic crisis that erupted in 2008 – the worst since the Great Depression of the 1930s – has prompted experts, policymakers, and the international financial institutions to rethink poverty. Many are rejecting once-dominant perspectives on poverty and deprivation, warning that they lead to ineffective policy prescriptions.

For example, the United Nations' Report on the World Social Situation: Rethinking Poverty, and its companion book *Poor Poverty: The Impoverishment of Analysis, Measurement, and Policies*, have sought to advance the debate on poverty by examining the conventional policy framework and assessing popular poverty-reduction programmes. They affirm the need for a shift away from the fundamentalist free-market thinking that has dominated poverty-reduction strategies in recent decades toward context-sensitive measures to promote sustainable development and equality.

Indeed, these reports challenge the prevailing approach, which has left more than one billion people living below the poverty line, and has failed to prevent economic growth from stalling

in most countries. Meanwhile, inequality has increased worldwide – even in countries that have experienced rapid economic expansion, notably China and India. While growth is usually needed for poverty reduction, it does not necessarily translate into job creation, as many countries' recent record of jobless or job-poor growth demonstrates.

The UN encourages governments to assume a more proactive development role, which would entail an integrated policymaking approach aimed at promoting structural change while reducing inequality, vulnerability, and economic insecurity. Growth must become more stable, with a consistently counter-cyclical macroeconomic policy stance, prudent capital-account management, and greater resilience to external shocks.

Generally, economies that have succeeded in terms of both economic growth and poverty reduction over the last three decades have done so by adopting pragmatic, heterodox policies. Often invoking investor- and market-friendly language, they have generally encouraged private investment, especially in desired economic activities, such as those that create more job opportunities or offer increasing returns to scale.

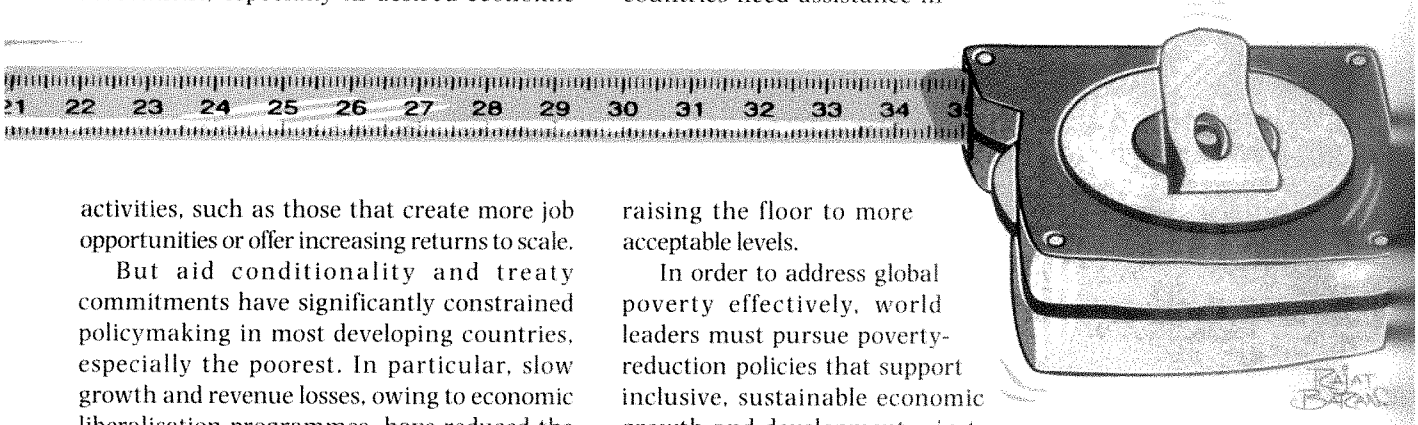
But aid conditionality and treaty commitments have significantly constrained policymaking in most developing countries, especially the poorest. In particular, slow growth and revenue losses, owing to economic liberalisation programmes, have reduced the scope for fiscal policy, with serious consequences for poverty and destitution. This trend must be reversed.

Moreover, while the programmes that most donors like – such as microcredit, formalisation of land titles, and governance reforms – have sometimes helped to ameliorate the conditions facing the poor, they have not reduced poverty significantly. Leaders must consider, design, and implement pragmatic and innovative alternatives, rather than continue to rely on ineffective policies and programs.

In recent decades, social policies have increasingly involved some form of means testing of eligible beneficiaries, ostensibly to enhance cost effectiveness. But, in general, universal social policies have been much more effective and politically sustainable, while policies targeting the poor, or the "poorest of the poor," have often been costly and neglectful of many of those in need.

The right to social security enshrined in the Universal Declaration of Human Rights requires universal social protection to ensure the well-being of all, including people living in poverty and those at risk of poverty. Social policy, provisioning, and protection must therefore be integral to development and poverty reduction strategies.

In most countries, a basic social protection floor – which can help countries to mitigate the negative effects of shocks and prevent people from falling deeper into poverty – is affordable. However, low-income and least developed countries need assistance in raising the floor to more acceptable levels.



In order to address global poverty effectively, world leaders must pursue poverty-reduction policies that support inclusive, sustainable economic growth and development – in turn increasing the fiscal resources that are available for social spending. Only when all citizens benefit from economic development can leaders devoted to poverty reduction claim genuine success. ◆

The author is Assistant Director General at the Economic and Social Development Department of the United Nations Food and Agriculture Organization in Rome

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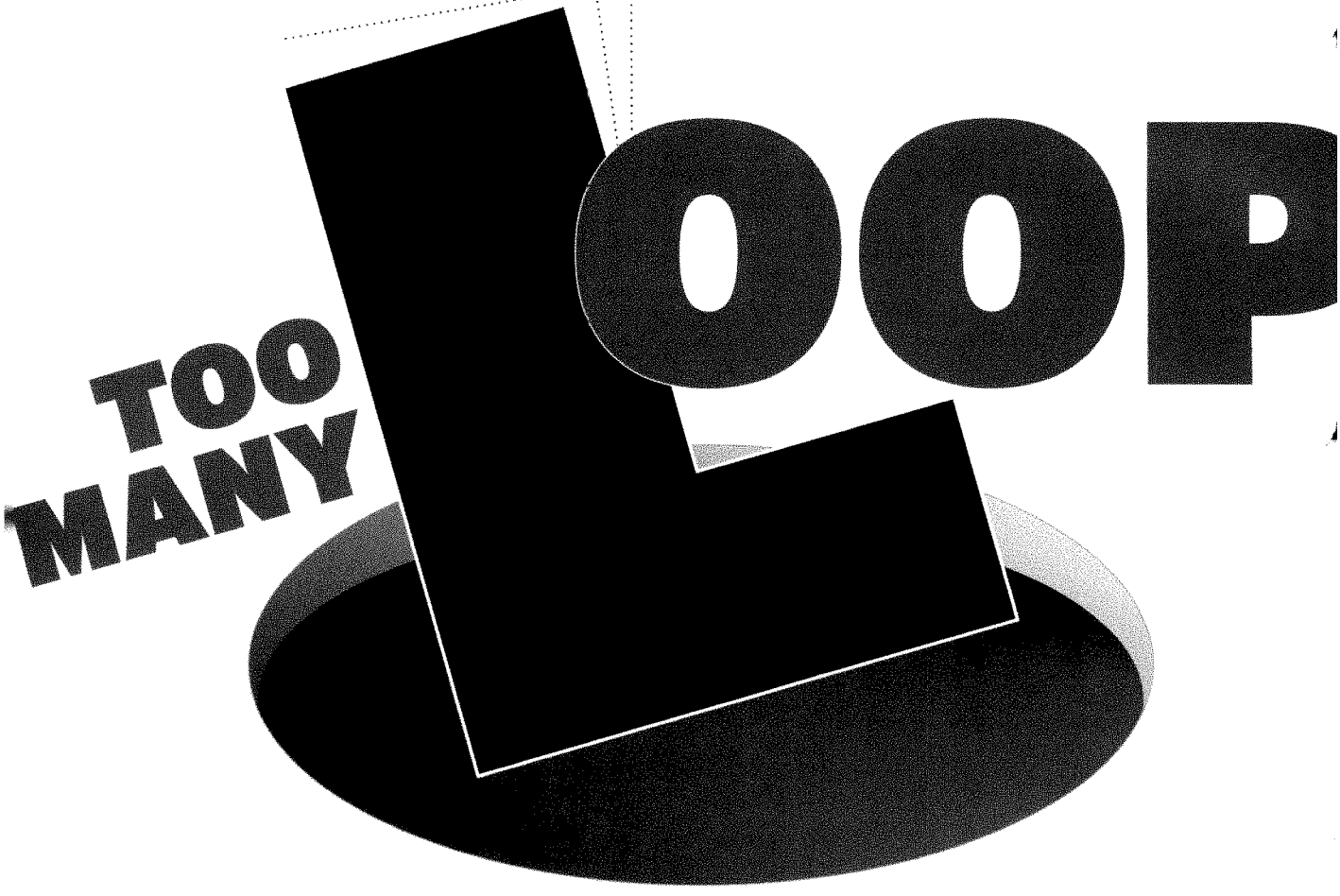

The private banks that are under the RBI's lens are not all we should be worrying about – the system is flawed. By ANAND ADHIKARI

Hidden-camera videos of the country's three leading private banks' officials allegedly advising customers on money-laundering recently kicked up a storm. Heads have started to roll at the junior levels in these banks – ICICI, HDFC and Axis. But punishing wrongdoers is unlikely to stem the irregularities. A commenter on Cobrapost.com, the Delhi-based website which conducted the sting, hit the nail on the head. He said the problem was not just these three banks – it was that the entire system was riddled with loopholes. "It's a good opportunity for the regulators to plug these loopholes," he wrote.

He pointed to the multiplicity of acceptable identity documents – for instance, the PAN (permanent account number) card, passport and Aadhaar unique identification (UID) number – and the fact that none of them are interlinked. "It's a real pity for a country which produces some of the best IT talents in the world," he added. Contrast India with the United States, where social security numbers are in place since 1935.

There are numerous problems at multiple levels – the industry regulator, the government, and the banks themselves. At the level of the bank, the core issue is the approach to banking, as banks are caught up in an aggressive sales culture. The ones named in Cobrapost's allegations have said they do business ethically. However, all three declined to speak to *Business Today* until they had investigated the matter fully.

At the level of the regulator – the Reserve Bank of India (RBI) – there is an urgent need to improve the frequency and quality of inspection. More importantly, there is a need to overhaul Know Your Customer (KYC) norms for financial intermediaries such as banks, non-banking financial companies (NBFCs), insurers and mutual funds.

HOLES

And at the government level, there is a need to speed up Aadhaar – the national unique identification (UID) number project – as it would eliminate the multiplicity of documents. The central bank's KYC guidelines require banks to collect three documents – photographs, identity proof, and address proof – from customers before they can open an account or get a locker. If a customer has no UID number, the bank has no option but to accept documents such as voter ID, electricity bill, passport, or PAN card.

"The root cause of many of the problems today is the multiplicity of enforcement agencies, array of regulations and variety of documents for the identification of a single person," says Pavan Kumar Vijay, Managing Director of Corporate Professional Group, a corporate advisory firm.

The Cobrapost videos show bankers asking for easily available KYC documents, and, in some cases, even advising customers not to submit a PAN card so they can stay off the tax radar. Bankers say some customers get away with submitting a lease agreement and rent receipts as address proof. "These are the most suspect cases, where the bank should do a ground check or periodically re-check whether the customer still has the same residence or job," says the chairman of a public sector bank.

Some banks accept a company ID card as proof of identity, and a letter from an employer as residence proof. That is in line with RBI guidelines, but banks are also required to update the customer data from time to time. But many bankers say these checks get short shrift, as the bank is focused on attracting new customers.

"The problem is not with the KYC, but its implementation," says M.D. Mallya, who recently retired as Chairman of the state-owned Bank of Baroda. He may be right, as the genuineness of even crucial government-issued documents is not always above question. According to the Comptroller and Auditor General (CAG), there were close to 96 million PAN cards as of March 2010, but only 34 million tax returns were filed.

The PAN card is one of the most abused documents. The CAG noted in 2010/11 that big tax evaders spread out their money by opening multiple bank accounts with fake PAN cards. Tackling PAN card fraud is not enough, though. The Income Tax Act allows those who claim not to have a PAN card to fill out Form 60 and say they have no taxable income, or Form 61 to say their income is from agriculture. A Cobrapost video shows a banker allegedly advising an undercover re-

SPOTLIGHT ON BANKS

Sales culture with a focus on **cross-selling**

Profit maximisation drives banks beyond core tasks, to hawk products such as **equities, insurance, and mutual funds**

Inadequate training and **lack of incentives** for bank staff to **blow the whistle on black money**

Wide range of documents besides PAN cards accepted under **Know Your Customer (KYC) norms**

No verification of customer's address or job

Chanda Kochhar, MD & CEO, ICICI Bank

Aditya Puri, MD, HDFC Bank

Shikha Sharma, CEO, Axis Bank

GOVERNMENT ISSUES

Multiple enforcement agencies, such as **Financial Intelligence Unit, Income Tax (Investigations)** and **Enforcement Directorate**

UID registration process should be **speeded up** to avoid multiple documents

96 million PAN cards for only **34 million tax filers** as of March 2010

No bank records of the **source of money after seven years,** as per income tax rules

No follow-up on people who make **large financial transactions** without submitting **PAN proof**

Finance Minister P. Chidambaram

porter to fill out Form 60 to avoid detection by tax authorities.

So just by filing Form 60 and without submitting a PAN card, a tax evader can deposit cash of over ₹50,000 in a bank or post office, no questions asked. According to banking industry sources, the RBI and the finance ministry are investigating cases in which banks have not reported transactions backed by Form 60 or 61 to the government's Financial Intelligence Unit (FIU).

Eventually, Aadhaar will resolve the KYC issue. But until that happens, some argue, it is impossible to require just one or a few documents as acceptable proof of identity and residence. "There is the issue of financial inclusion, or people having different sets of documents," says a banker from one of three banks named by Cobrapost. He adds that some people genuinely do not have taxable income, many do not have a passport, and for some, the only address proof is an employer's letter.

"Banking is a serious business where service, compliance and safety are core elements," says A.K. Khandelwal, former Bank of Baroda chairman and author of the book *Dare to Lead*. But private banks have a strong culture of cross-selling their subsidiaries' products, and increasing the number of savings and current account deposits. "Nurturing an ethics-based corporate culture, with provisions to claw back performance-based incentives ... can help correct the current approach of mobilising fresh business by any means," adds Khandelwal.

The Cobrapost exposé shows bankers allegedly marketing insurance products to convert black money into white. Insurance products are profitable, because the bank earns a high first-year commission on the premium. The bank manager could benefit, too: many banks and insurers offer rewards for high sales, such as foreign junkets.

Insurance products are easy to sell. The bank's KYC requirements are sufficient proof for investing any amount in an insurance scheme. A PAN card is not necessary, even though some single-premium policy amounts are as high as ₹30 lakh. Many banks sell policies that mature after seven years. At that point, nobody can question the source of the money, because income-tax laws do not require banks to keep records for more than seven years.

Cobrapost has also alleged that the three banks have been laundering money. Money-laundering means the transfer of money from illegal sources – drugs and arms trafficking, terrorism, extortion and theft – into the financial system through fictitious bank accounts and *hawala* transactions. Cobrapost alleges that the banks suggested opening accounts in the name of the applicant's spouse, cousin, or friend, which is not money-laundering in the strict sense.

By law, bank employees have the authority to ask a customer for details of transactions that are not consistent with the customer's profile. The onus is on the bank to ensure that the account is not being used to launder money. Insurance companies, too, are required to report cash transactions of over ₹10 lakh a month to the FIU.

Following Cobrapost's allegations, the RBI and the Insurance Regulatory Development Authority are investigating KYC violations and the background of customers who have put large sums into single-premium insurance plans. ICICI Bank's life insurance arm has launched a probe, too.

Some in the industry say the FIU is seeking details of policy holders with high-value single-premium policies. The RBI, too, is investigating high-value transactions. "If there is a series of cash transactions valued at ₹10 lakh or more in a month, they need to be reported

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REGULATOR'S ROLE

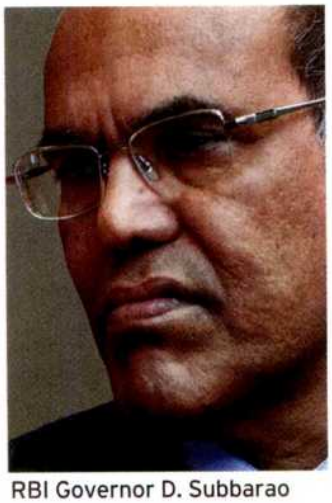
KYC norms not tight enough – for example, **a company ID** and **employer's letter** are enough to open a new account

RBI supervises banks in addition to drafting monetary policy and managing debt

RBI has only about **20,000 employees**, while the number of bank branches is **over 80,000**

Poorly regulated **cooperative banks** add to the risk in the sector

Banks' KYC documents are sufficient to buy **insurance products**



RBI Governor D. Subbarao

under AML," says a public-sector banker on condition of anonymity. AML refers to anti-money laundering rules.

Banks are required to report demand drafts, mail transfers and travellers' cheques worth ₹50,000 and more to the RBI. A source in the central bank says: "The investigation will also look at the extent of complacency shown by the top management of these banks."

Some bankers argue that it would be unfair to blame the top management of the three private banks that Cobrapost has named – the country's largest in terms of market capitalisation. ICICI and HDFC have nearly 3,000 branches each, and Axis Bank has close to 2,000. The Cobrapost investigation covered some 50 branches. All three banks have comprehensive codes of conduct for employees. For example, ICICI Bank, with a balance sheet of ₹5 lakh crore, has a detailed manual outlining due diligence for accepting a customer.

A day after Cobrapost published its investigation, ICICI and HDFC banks appointed audit firm Deloitte Touche Tohmatsu to carry out an independent forensic enquiry in addition to their own internal investigations into Cobrapost's allegations. The stock market has reacted, too: the banks' stocks have fallen more than the BSE Sensex.

"The RBI may also put the brakes on new branch licences to some banks," says Kashyap Jhaveri, analyst at Emkay Global Financial Services, in a recent report. An analyst who manages the money of foreign institutional investors says the probe could expand to other banks. A Goldman Sachs report notes: "These developments, if proven true, could potentially lead to slower growth across private banks' deposits and business."

The RBI's deadline for a scrutiny of the head office and branches of the three private banks is March 31. The central bank is also studying whether the banks' gold coins and wealth management products could be potential ways to stash black money. RBI Deputy Governor K.C. Chakrabarty has downplayed the exposé, saying: "If we find there is a need to further tighten any guidelines, we will do that."

Some in the industry say that Finance Minister Chidambaram's estimate that 46,800 people have taxable income of over ₹1 crore is baffling, considering the growth of banks' wealth management services and the portfolio management services of mutual funds and brokerages.

In addition to being the government's debt manager, the RBI manages the country's monetary policy, and supervise and regulate banks. "There is a strong case of hiving off the banking supervision from RBI," suggests a banker.

The number of bank branches in the country has grown to 80,000. The RBI has some 20,000 employees, of which one-third are maintenance and technical staff. Some bankers question, however, whether adding layers of people will improve the situation.

Former RBI governor Bimal Jalan says: "We should learn from the current experience and see how we can improve our ethical governance system in implementing the banking guidelines."

There is also the issue of black money – estimated at ₹10-15 lakh crore – being generated in the first place. It is common knowledge that much of it is stashed in other countries. The Cobrapost sting has highlighted that banks, which are highly regulated, seem to be doing little to bring tax evaders to book at home. It is anyone's guess what goes on in more loosely regulated financial intermediaries such as co-operative banks, NBFCs and credit societies. ◆

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IN DIRE STRAITS

Pakistan's decisions to hand over a port to China and source gas from Iran have raised alarm bells in India. By ANILESH S. MAHAJAN

Two developments over the past six weeks in Pakistan have left wonks in Washington D.C. red-faced, and in New Delhi worried. On March 11, when President Asif Ali Zardari arrived at Chah Bahar town in southeastern Iran, his Iranian counterpart Mahmoud Ahmadinejad was waiting to greet him. Iran is reeling under sanctions by the United States and European Union, and the visit was closely watched. Not wasting time, Zardari announced Pakistan would start building a 750-km pipeline to bring natural gas from Iran.

This was Zardari's second trip to Iran in as many weeks. On a February 27 visit to Tehran, he had secured an Iranian promise to invest $4 billion in a refinery at Gwadar, a western Pakistani port. The management of the port had been handed over to a Chinese state-run company just a week earlier, making India's ministry of external affairs see red.

The decisions may well be Pakistan's attempt to address local issues such as its electricity shortages, and pandering to the hostility many Pakistanis have towards the US.

But they have adverse strategic implications for India. The transfer of Gwadar port to

SANTOSH

Chinese Overseas Port Holdings has New Delhi worried over Beijing's growing influence in the region. Indian security analysts see the move as part of Beijing's "String of Pearls" plan that involves building ports in South and Southeast Asia. Chinese firms have built ports at Chittagong in Bangladesh, Hambantota in Sri Lanka, and Sittwe in Myanmar where they also manage three other ports. India's worries about the deal were made clear by Defence Minister A.K. Antony. "This is matter of concern for us," he said in February.

The concern stems from the fact that the Gwadar port is located close to the Strait of Hormuz. India imports nearly 69 per cent of its crude oil from West Asia, and the strait is the most important supply route. "China's presence in the Arabian Sea raises the threat level to India," says a cabinet secretariat official on condition of anonymity. Defence analyst C. Uday Bhaskar says the impact on India of China's presence near the Strait of Hormuz could be similar to the so-called Malacca Dilemma that Beijing faces. The term refers to China's dependence on the Strait of Malacca, which is located between Malaysia and Indonesia, for its oil imports. The US has naval presence in the area. India also has beefed up its military facilities on the Andaman and Nicobar islands, located near the strait's northern entrance.

Islamabad and Beijing have sought to dispel India's concerns on the port deal. Pakistani media reports had a foreign ministry spokesperson calling India's concerns "unwarranted". China has said the port project is a commercial deal and it has no plans for a military base there.

What could worsen India's headache is Iran's plan to set up the refinery near Gwadar with a capacity of 400,000 barrels of crude per day. Iran will also lay a pipeline to transport crude to the refinery. The refinery would help Iran offset sanctions imposed by the US and the European Union over its alleged nuclear weapons programme. "In next five years, China will start getting Iranian oil and gas from the Gwadar port," says Avinash Chandra, a former head of India's hydrocarbons regulator. Beijing could also build an alternative supply route via northern Pakistan to western China to cut dependence on the Strait of Hormuz, he says, adding China's presence in the region could make it difficult for India to pursue a proposal to construct a pipeline for importing gas from Oman.

Some experts say blocking the strait is impossible because of US military presence in Bahrain, Qatar and Oman. In December 2011, Iran threatened to close the strait but backed off after US warnings. "It is in China's interest to keep the strait open," says Talmiz Ahmad, a former Indian ambassador to Saudi Arabia, Oman and the UAE. Some experts feel China's influence could grow as the US cuts its dependence on crude oil from West Asia. A.R. Ghanashyam, Joint Secretary in charge of Gulf affairs at the Ministry of External Affairs, plays down talk of a rivalry between India and China. "This is an age of collaboration and cooperation, not confrontation," he says.

"Iran's proximity to Pakistan and China will surely make India's efforts in Afghanistan more vulnerable"
Kanwal Sibal,
former Foreign Secretary

The Iran-Pakistan gas pipeline is a big blow not just to India but also to the US. "Pakistan has hit two birds with one stone," says Ravi K. Mehrotra, Chairman of the UK-based energy company Foresight Ltd. The gas pipeline will open another source of revenue for the sanctions-hit nation. The pipeline was initially envisaged to bring gas to India as well but New Delhi pulled out of the project in 2009 citing security concerns and tariff disputes. The US, opposed to the project, instead backed the TAPI pipeline, which involves transporting gas from Turkmenistan via Afghanistan to Pakistan and India. But with the Iran tie-up, Pakistan has little incentive to work on the TAPI pipeline.

The China-Pakistan-Iran alliance could also affect India's plans to explore iron ore and other minerals in Afghanistan. "Iran's proximity to Pakistan and China will surely make India's efforts in Afghanistan more vulnerable," says Kanwal Sibal, a former foreign secretary. India had earlier offered to help Iran develop the Chah Bahar port to gain an entry into Afghanistan. But progress has been slow because of sanctions on Iran. India is also reducing its oil imports from Iran. Still, Sibal says it is in India's interest to maintain a relationship with Iran. "The stakes are high for the US," he says. "We need to observe how Pakistan's new government deals with the issue. If it escapes [sanctions], then we can rework our Iran strategy." ◆

Keep the Faith

India is a good investment bet even if the economy clocks low growth in the coming financial year, says the majority of the fund managers polled

FUND HOUSES WHICH PARTICIPATED

1 Baroda Pioneer MF
2 Birla Sun Life MF
3 BNP Paribas MF
4 DSP BlackRock MF
5 HDFC MF
6 HSBC MF
7 ICICI Prudential MF
8 Principal MF
9 Religare MF
10 SBI MF
11 Sundaram MF
12 Taurus MF
13 UTI MF

GRAPHICS BY SANTOSH

Tushar Pradhan, Chief Investment Officer (CIO) of HSBC Global Asset Management, was bullish about the Indian equity market over the past one year, but expects it to be range-bound in 2013. He believes the BSE Sensex will move in a narrow band of 20,000 to 21,000, but is hoping it slips below 17,000 levels, so that he can pick up quality stocks at compelling valuations. "I am happy with the market moving in a narrow range. It gives us time to research and find the next jewel and multi-bagger in the market, unlike in the bull run where everything runs ahead of fundamentals," says Pradhan, who is concentrating on stocks that have a competitive advantage over peers. He is keeping away from sectors which are exposed to government regulations such as infrastructure and power.

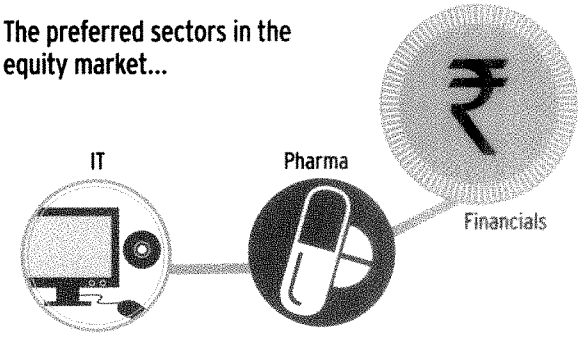
Mahesh Patil, CIO-Equity of Birla Sun Life Mutual Fund also feels the Sensex will be range-bound. But, according to him, the big positive is that the market has seen the bottom. "We will see no re-rating or de-rating. We are cautious on the Indian equity market but pressure easing on the country's current account deficit (CAD) augurs well for market sentiment." CAD is the excess of imports over export plus fund inflows. A lower CAD will strengthen the rupee and make imports cheaper, reining in inflation. "We aren't chasing stocks but we are buying quality companies that do not have any governance, balance sheet and management issues," says Patil.

This guarded optimism was reflected in the first-ever survey of fund houses commissioned by *Business Today*, which will be a quarterly feature. The *BT*-Morningstar Asset Allocation Survey for the April to June quarter polled 13 fund managers, including Pradhan and Patil, on the outlook for the Indian financial markets and the economy.

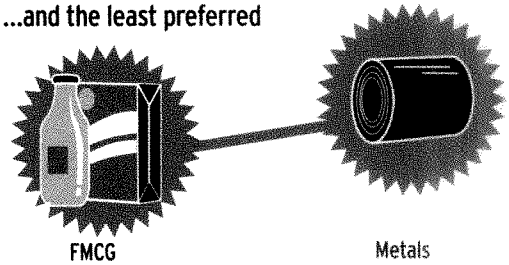
A majority wants to remain invested in the stock market. Most of the fund houses want to allocate more than half of their investment portfolio in stocks followed by debt and gold. Financials, IT and pharma are the preferred sectors in the equity markets with a two year investment horizon. Over 90 per cent of the funds polled estimate a forward price-earnings ratio (P/E) of between 14 to 16 times

1 Most fund houses advocate **50 to 70 per cent** of the financial portfolio in equities, **20 to 40 per cent** in debt and about **10 per cent** in gold

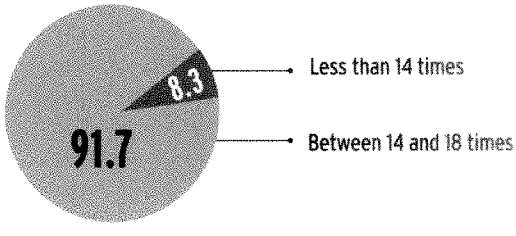
2 The preferred sectors in the equity market...



3 ...and the least preferred

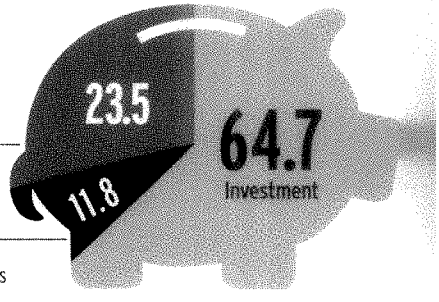


4 The expected Sensex forward price-earnings (P/E) ratio over the next two years



The trailing 12-month P/E is 17
Figures are percentage of respondents

5 Most respondents expect **investment** to be the dominant theme of the next few years



Figures are percentage of respondents

for the Sensex in this period – it is now close to 17. P/E is the most common measure of how expensive a stock is. About 70 per cent of the fund managers are ready to invest 30 to 50 per cent of their stock market portfolio in mid-caps and small-caps with a three-year investment horizon.

Most of the respondents believe the investment cycle in India will revive soon. Almost 65 per cent believe the investment theme will gather momentum in India over the next two to three years.

The Indian economy is expected to grow in low single digits over the next one year with a gradual improvement in macroeconomic indicators. More than half (54 per cent) expect India's GDP growth to be less than six per cent in fiscal year 2014, while over 92 per cent expect the country's fiscal deficit to remain in the range of 4.5 to 5.5 per cent in the same period. About 69 per cent of fund managers see inflation between seven and eight per cent, the Reserve Bank of India's targeted levels at the end of 2013. "Soft global commodity prices and slow growth rate, especially in the US and China augurs well for us as it will keep inflation steady between seven and eight per cent," says S.Krishnakumar, Head Equity at Sundaram Mutual Fund.

The majority of fund managers expects a repo rate between seven and eight per cent (it is at 7.5 per cent currently) over the coming year. About eight per cent of the respondents expect the RBI governor to cut rates by more than 75 basis points (bps) to below seven per cent in that period. "We expect RBI to cut rates by 75 bps by September 2013. This is on the assumption that inflation will moderate further and CAD will trend lower due to a to rise in exports," says Maneesh Dangi, CIO-Fixed Income of Birla Sun Life Mutual Fund.

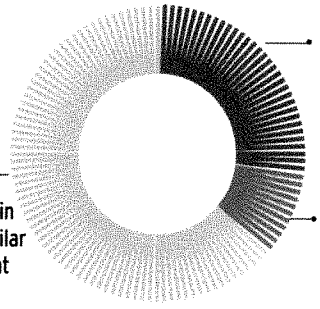
No fund manager expects the rupee to drop below ₹50 in 2013. Fifty per cent see the rupee hovering between ₹50 and 55 against the US dollar in 2013, while the other half expect it to move above ₹55 against the dollar in 2013. "I see the rupee hovering between ₹53 and 57. It could appreciate on the back of good exports," says Krishnakumar.

About half of the fund managers are neutral on gold and do not see the yellow metal touching a new high in 2013, while 64 per cent see crude oil hovering between $90 and $110 per barrel.

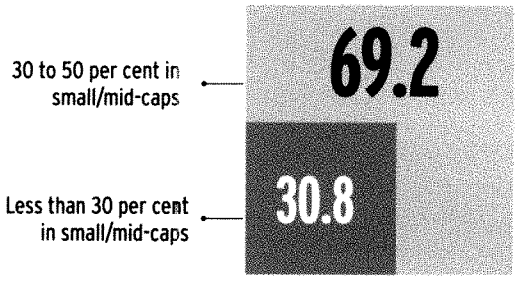
Clearly, the majority of respondents seems to be bracing for another ordinary year for the Indian economy and is investing with an eye on the medium-to-long term. ◆

Send your comments to editor.bt@intoday.com

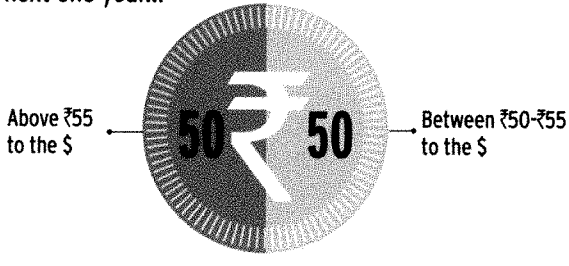
6 **With debt instruments expected to reward investors in a softening interest rate regime, most want to maintain, or raise their exposure to these**



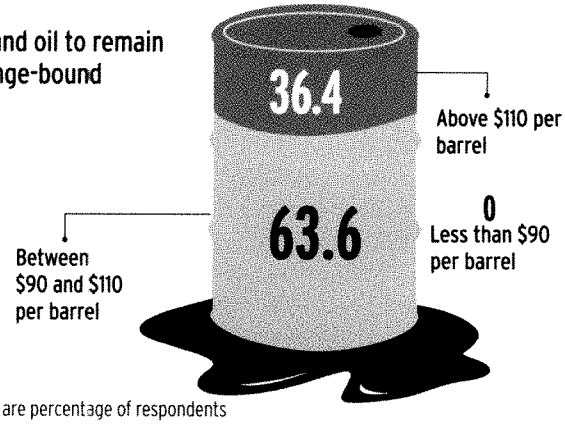
7 **All respondents recommend less than 50 per cent of the stock market portfolio in small/mid-caps**



8 **Most expect the rupee to remain weak over the next one year...**



9 **...and oil to remain range-bound**



All figures are percentage of respondents
Source: BT-Morningstar Asset Allocation Survey

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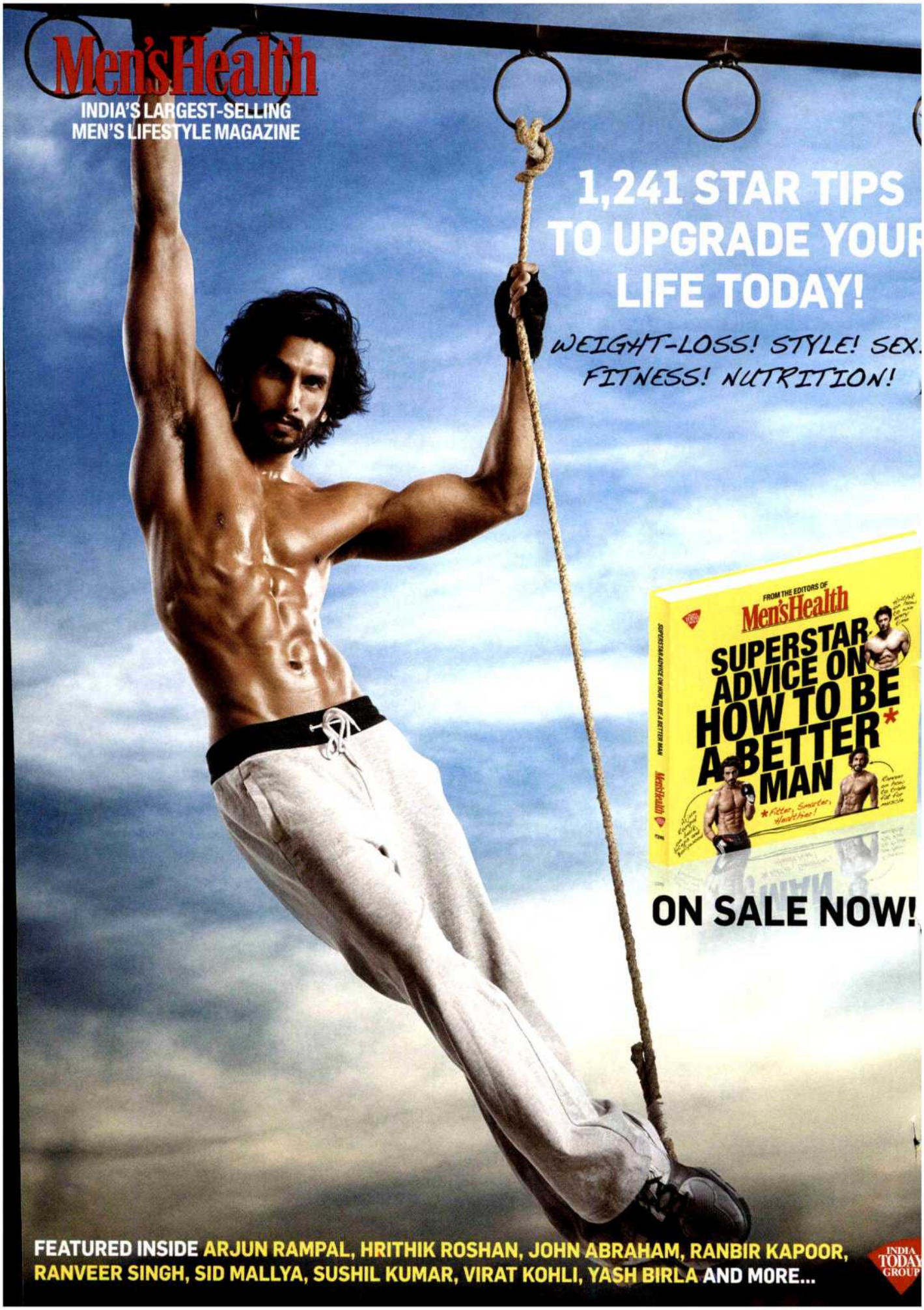
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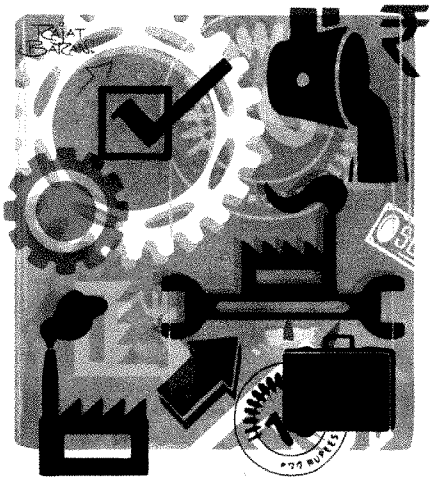


CHEER IN A TIME OF CRISIS

A closed door session at the India Today Conclave saw author and thinker Malcolm Gladwell, known for his even demeanour and cool thinking, getting unusually animated. Almost agitated. He was comparing India's growth with China's in a roomful of CEOs, entrepreneurs and senior business professionals. All the rapid growth in China in recent decades or in the future, he said, could never justify the millions persecuted in the Cultural Revolution. A plodding democracy called India, to him, was the clear choice if it came to choosing versus China.

More such praise for the world's biggest democracy was evident at the Conclave, India's biggest leadership event in its 12th year, on March 15 and 16. Speakers ranging from Raghuram Rajan, Chief Economic Adviser to the government, to Infosys Co-Chairman Kris Gopalakrishnan, to Vinod Rai, the government's top auditor, to MIT professor and author Abhijit Banerjee, deliberated on economic democracy and the nuances within. Insights were plentiful on an economy in transition, opportunities for the world's youngest demography, an exploding entrepreneurial society, investment risks, and the perils of discretionary powers in a democracy. We spoke with two of the best brains at the Conclave. Turn the page for a story on how Jon Fredrik Baksaas, President and CEO, Telenor Group, is turning around his company's Indian operations despite having to write off $700 million. Ahead, on page 58, is an interview with the cheerleading Malcolm Gladwell. For more, go to *www.indiatodayconclave.com*. ◆

TRYING TO UNTANGLE WIRES

Telenor's troubles in India have been a valuable learning experience, says its CEO Jon Fredrik Baksaas. By SUNNY SEN

It is late evening and a flickering matchstick dimly lights up a small Ranchi shop called Sanjay Telecom. The shop owner, Sanjay, gropes around for a candle because he's got about five customers lined up for Uninor recharge coupons and expects many more soon because the mobile services company offers some of the country's lowest call rates. "They come at this time everyday and buy small recharge amounts which they use throughout the next day," he says. "Uninor is some Delhi-based company, not a very old one, but sells well in my shop."

Sanjay doesn't have a clue that Uninor is actually majority owned by Norwegian telecom company Telenor ASA. But Telenor Chief Executive Officer Jon Fredrik Baksaas is probably just happy that customers are pouring in.

After all, it has been a rough year-and-a-half for Telenor's Indian operations: the telecom giant was forced to slash business down to just six circles from 13 circles after the Supreme Court in 2012 ordered the cancellation of its permits in the 2G licensing scandal involving several companies. In February, Uninor shut down its Mumbai operations in line with the Supreme Court order. To add to its woes, Telenor was also embroiled in a legal battle with its former partner, real estate firm Unitech, over partnership issues. "Having been in India for the past

VIVAN MEHRA/www.indiatodayimages.com

three years, one thing we have learnt is that we cannot be sure of anything," says Baksaas, who was in New Delhi for the India Today Conclave where he took time out to speak with *Business Today*.

Things may finally be looking up for Telenor again in the world's second-largest mobile market. It is the sixth largest operator in India's fiercely competitive market where 10 operators are fighting for a slice of the subscriber pie. Its six circles have enormous business potential: they have a population of 600 million but mobile penetration is a low 40 per cent. Uninor has 32 million subscribers in India and hopes to add another 8 to 9 million this year, which is almost equal to the number of subscribers it lost after it shut down several circles. "We have broken even in Uttar Pradesh (East) and Gujarat, and in the coming year we will break through in the rest of the circles," says Baksaas.

Telenor's troubles and tentative recovery have been a valuable learning experience for the company. It has gained several insights from its Indian operations which it is exporting to other Asian markets. For example, Uninor has implemented a unique distribution-management system, which tracks distribution, networks and consumer usage. It is hoping to export the concept along with its per tower profitability model which is peculiar to India: under this model, profitability is measured on the basis of the number of each tower's subscribers. "Baksaas and Sigve Brekke (Managing Director of Uninor) are amazing people in that they carried on with the business and kept pumping in money and growing the business even though they did not know if they would get licences after the cancellation," says a company executive.

The telecom company has also learnt how to use spectrum more efficiently to cut costs in India, where profitability is tough because of extremely low call rates. Telenor has the lowest spectrum in India which makes it difficult to offer high bandwidth-consuming data services. Baksaas says the company has to strike a balance between spectrum prices and investment conditions. It has taken a page from the country's biggest mobile operator Airtel's book and cut costs by outsourcing its entire network management and infotech infrastructure. "India is a very competitive market place," says Baksaas. "We have learnt to work with (outsourcing) partners, and have a better understanding of resource utilisation."

Analysts agree. "Telenor's low-cost business model is well suited to the lower than average income characteristics of these (six) circles, and Telenor calculated that its average 'cost of production' remains 20 per cent lower than incumbents despite its lack of scale, which should support a sustainable discounter positioning," James Britton of equity research firm Nomura wrote in a recent research note.

But Telenor's India business could face some challenges ahead. Telecom circles were abuzz with talk of Telenor being in negotiations with Tata Teleservices to combine their operations in India. A Uninor executive and another at Tata Teleservices confirmed the telecom firms were in talks, but Baksaas was non-committal. "There is no way you can say yes or no to these things," he says.

The company will also be hamstrung by its lack of 3G and 4G spectrum or licences. Baksaas agrees the long-term use of 2G for the Internet is not the best option, but is confident it won't hinder the company's growth.

Baksaas is optimistic because, at the end of the day, the numbers make India a lucrative market. "We are addressing 600 million people already, but we don't mind having a national footprint," he says. ◆

₹4,018 cr
Amount Telenor paid for licences in six circles

600 mn
Population of these six circles where mobile penetration is just 40 percent

$900 mn
Amount Telenor hopes to save in five years by implementing new operating models.

"THE OLD GUARD IN SILICON VALLEY IS CRUMBLING. IT WILL HAPPEN IN INDIA TOO"

Malcolm Gladwell, *author of such global bestsellers on business as* The Tipping Point, Outliers *and* Blink, *was among the speakers at the India Today conclave. He offers his unique perspective on business opportunities, skilling and the Indian advantage in an interview to* **K. Sai Srinivas**. *Edited excerpts:*

To use your own phrase, if you listen with your eyes, what do you find striking about Indian business?

The thing that is fascinating to watch is the leapfrogging. You look at Indian success in IT. The idea that you can jump directly into the most sophisticated part of the economy and achieve success so quickly is fascinating to me. In many ways the fact that India was starting from an underdeveloped position was an advantage. You have no allegiance to previous ways of doing things, that is a fascinating phenomenon.

Have we reached the top, or are there more areas to achieve success in?

India has less than its expected share of manufacturing; (there are) an infinite number of opportunities. Again, manufacturing is poised to undergo an extraordinary technological transformation with a combination of robotics and 3D printing. These technologies are going to converge in what is clearly going to be a revolution in manufacturing. Maybe the same thing will happen that happened in IT, that is, there will be no order to overturn.

What are your observations about Indian youth compared to young people in China and the US? Do Indians have the luxury to put in the 10,000 hours you mentioned in your book as imperative to specialise in skills?

The difference between a country like Singapore or America, and India is obvious. The capitalisation rate is different. So, a much larger share of American youth have access to educational opportunities than in India. But the secondary issue is how effectively are those that do have the opportunity use it. That is where I think many of the developing nations have an advantage over the US. I was talking to a group of 50 students in the University of Pennsylvania recently and I asked those in the group whose parents are born in the US to raise their hands. Five of 50 raised their hands. You realise the extent to which there is an incredible hunger and desire among people from developing countries. It is a wondrous thing to behold.

Most Indian companies find Indian youth is not well equipped for jobs. What are your observations?

Education is always going to be the lagging factor. Technology moves at lightning speed. Human beings move much more slowly. We move at social speeds, not at technological speeds. We have to build institutions, we have to change attitudes. Education is going to move the slowest of all. The process of educating someone takes a long time. It is like a big ship that can turn around only very slowly. So it does not surprise me that the skills of any workplace of any population are always, particularly in a fast-moving economy, lagging behind the needs of businesses.

How can it be changed?

It can't be changed overnight. I think it is a question of adjusting expectations and saying that there are things we can do to speed it up and there are ways we could be smart about giving people in mid-career an opportunity for retraining... In any economy that is moving ahead technologically, it is going to be impossible to have the educational system in sync with the needs of business because business technology moves faster than new institutions.

There are 122 billionaires in India, according to a recent report. How do you view this huge gap between the wealthy and the aspiring classes?

Historically, whenever there are large income inequalities, things have ended badly. The last time we saw this was in Europe and the US in the years immediately before and after the First World War, and it ended badly. It was the cause of extraordinary social unrest and political upheaval. It rewrote the rules of western economies. People have forgotten the years after 1900 when income inequality hit historical heights, heights that are only now being matched. America came very

close to a revolution. The level of social unrest in the country was unbelievable. So, this is not just India's problem. Income inequality is reaching levels that are unsustainable.

Are more entrepreneurs set to grow in India?

The trick is going to be creating some kind of balance between a society or an economy that is open enough that allows people to start companies and take risks and a country that is flat enough that the fruits of the economy are distributed widely and fairly. You know that balancing act is incredibly difficult to do. And we are seeing countries all around the world right now failing at that. Even countries like China – which is just emerging from a regime which prized equality above all else – are massively unequal. This is the great political question of the modern age, which is: can you lower income inequality without destroying the rewards necessary for entrepreneurs?

How do you feel about businessmen entering politics, as a number have done in India?

I don't think that as a business strategy it is particularly useful. There are fundamental differences between the kind of values and skills that are necessary to succeed in the business arena and in the political arena. They are very different animals and they should be different animals. Politics is about inclusion and legitimacy. Democracy is not an end point, it is a process... loud and noisy. Business is not a process. It is an end point. And the best businesses are not messy and inefficient. Every now and then each side makes the mistake of trying to impose its values on the other. Businessmen sometimes jump into politics thinking they can make politics work the same way businesses work. That just does not happen. The trick is to allow these two spheres to coexist separately and happily and not to try and bring them together.

"You look at Indian success in IT. The idea that you can jump directly into the most sophisticated part of the economy and achieve success so quickly is fascinating to me"

"Democracy is not an end point, it is a process... loud and noisy. Business is not a process. It is an end point"

Are we making enough mistakes? Most of your books focus on this aspect too. If you make more mistakes, you tend to grow... Are we making enough mistakes or are we stuck in a quagmire?

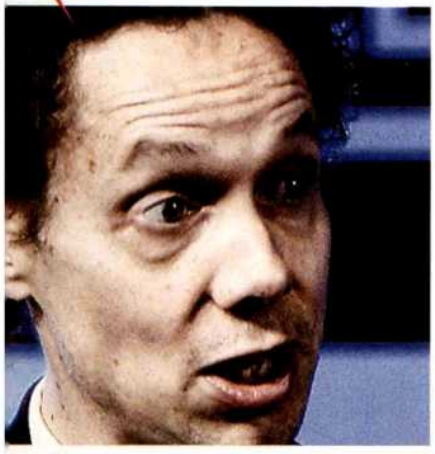
I think the issue is how many mistakes you are making. Everyone makes mistakes. The issue is what are you doing about your mistakes. Are you learning from them? Are you using them as impetus for change? You know, there are political cultures where bad things happen and people don't talk about them. China is a very good example. Until very recently, for the last 10 to 13 years, corruption in China had been growing exponentially. But there is a real reluctance to talk about it. I don't see the same problem here. No one has ever accused the Indian people of not talking openly about their problems. The talking part is a necessary precursor to any kind of constructive change.

"Everyone makes mistakes. The issue is what are you doing about your mistakes. Are you learning from them? Are you using them as impetus for change?"

Do you think a company or an organisation can nurture outliers, which is the name of one of your books as well? You said society can contrib-

ute a lot towards mentoring people to become successful.

A lot depends on the nature of the business. Certain businesses require enormous amount of human capital. Certain businesses do not. Societies make choices about where they want to make those kind of investments. If you look at a country like the US, their educational system takes a lot of burden off private industry in terms of development of human capital. That is the choice the US had made. In other countries the burden falls much more on the private sector. So there are many ways to approach this problem. But I do think the best companies are certainly alert to the potential of their employees.



"The difference between a country like Singapore or America, and India is obvious. The capitalisation rate is different"

In that respect, which Indian companies have you studied?

It is funny, the first Indian company I got to know well was actually in Silicon Valley. TIBCO, a software company run by an Indian, Vivek Ranadive... It remains a very Indian company. Many senior positions in the company are manned by Indians. It has a very interesting corporate philosophy. Compared to many of his peers in Silicon Valley, Ranadive seems to look far wider and deeper for talent. He is going to take chances on people others won't... I've always wondered to what extent that philosophy is conditioned by the nationality of the firm's founder. About whether someone who comes out of India is aware how much untapped potential there is, and that changes the way he looks for talent.

What about the Tatas and Birlas... they are also going out and investing overseas. Do you think they will be outsmarted by these kind of entrepreneurs in future?

There is always a group on the way up and there is a group on the way down. The old guard at Silicon Valley is crumbling as we speak... Dell, Microsoft, Hewlett-Packard, Compaq is already gone. And their place is being taken by someone else. What is fascinating is that the half-life of these companies is so short.

Do you see that happening in India?

It will inevitably happen in India. I think the trick is to build a system that is resilient and dynamic enough. When one person falls someone else takes his place.

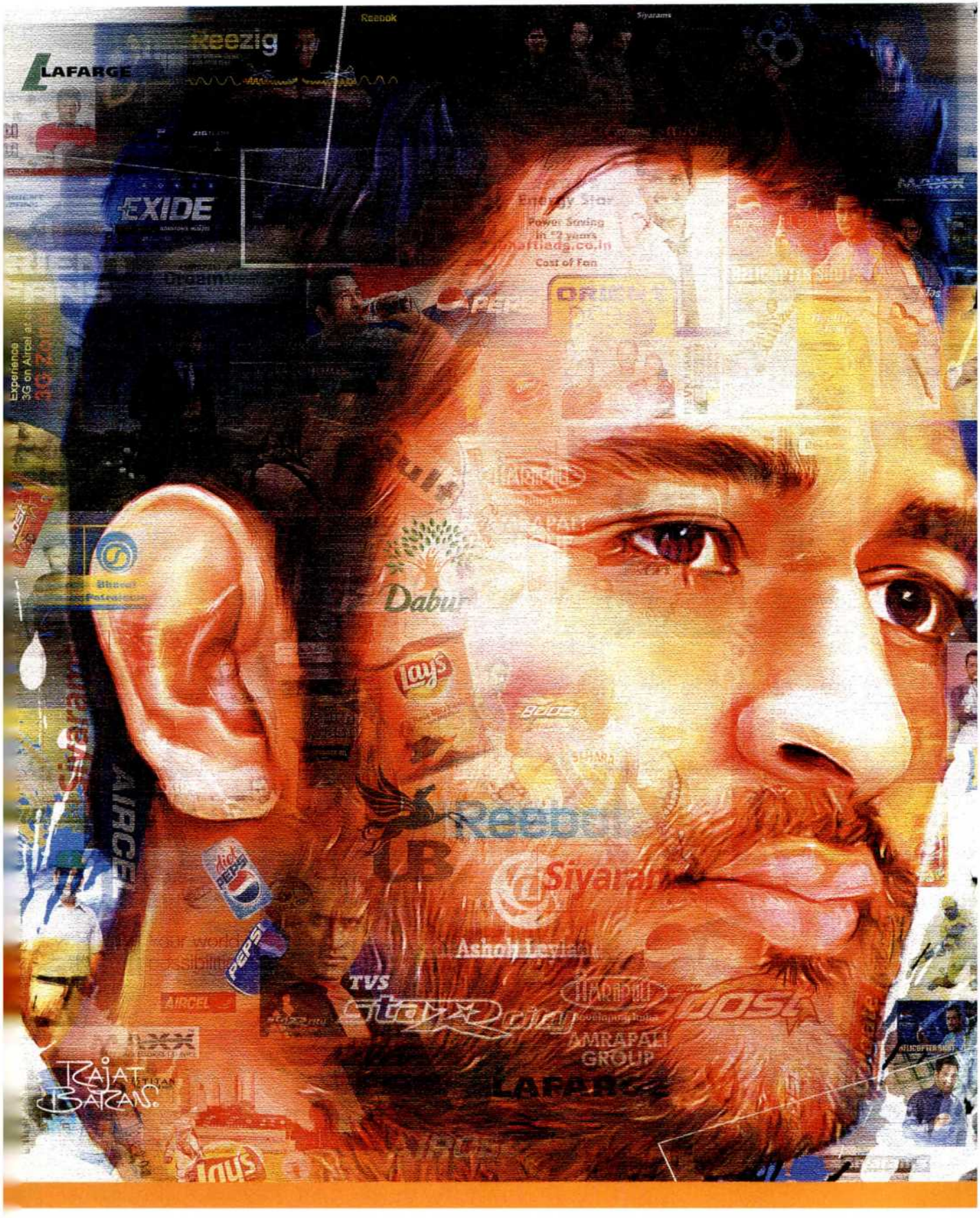
How do you think the wireless world is going to change India?

Modern digital technology gives you a chance to go from nothing to the head of the pack. To jump over the legacy systems that are in place. The paradox of rapid technological change is that it favours the underdog. The faster things move the greater the opportunity for someone who has nothing to jump off, to jump to the top of the line. With this idea of a national ID (Aadhaar) India is doing what no one else in the world is doing. You signed up 300 million people. It is an astonishing feat. The paradox of that is that it is because India was underdeveloped it was able to do things that are extraordinarily sophisticated and cutting-edge.

Do we conform to the Warren Harding principle? (In his books, Gladwell puts this name to the phenomenon of the US public falling in love with handsome leaders who have contributed little to the nation.) Is India enamoured of its leaders: Rahul Gandhi, Narendra Modi?

I think that reflects a fairly universal human desire... it has roots in revolutionary history. So, I can't imagine India will be exempt. I would not name any (leader here). That observation was about all human beings. ◆

Send your comments to editor.bt@intoday.com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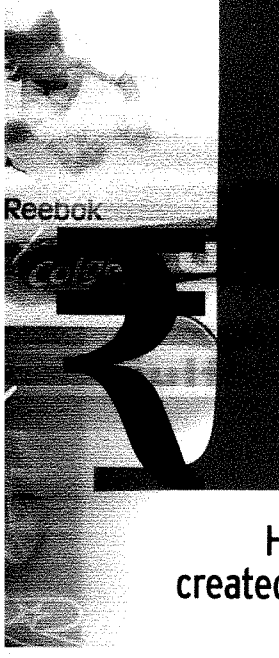


How Mahendra Singh Dhoni and his friend Arun Pandey created India's most valuable sports celebrity. Along the way, they changed the rules of the endorsement game.

By SUVEEN K. SINHA

The first agreement of Arun Pandey's life was signed with his mother. Before he came to live in Delhi in 1994, she made him put his signature on a piece of paper listing the things he would do, the things he would not, the time at which he would step out of the Lodhi Colony flat he had rented, the time he would be back, the people he would meet, and the kind he would not. Pandey's father died when he was a little boy and the mother, a State Bank of India employee in Varanasi, was worried that her son might go astray in the city of hard drugs and easy girls.

On March 12 this year, Pandey's Rhiti Sports signed a deal with Pune-based Uth Beverage to forge a joint venture that would sell energy bars, protein bars, protein biscuits, flavoured milk and other nutritional products.

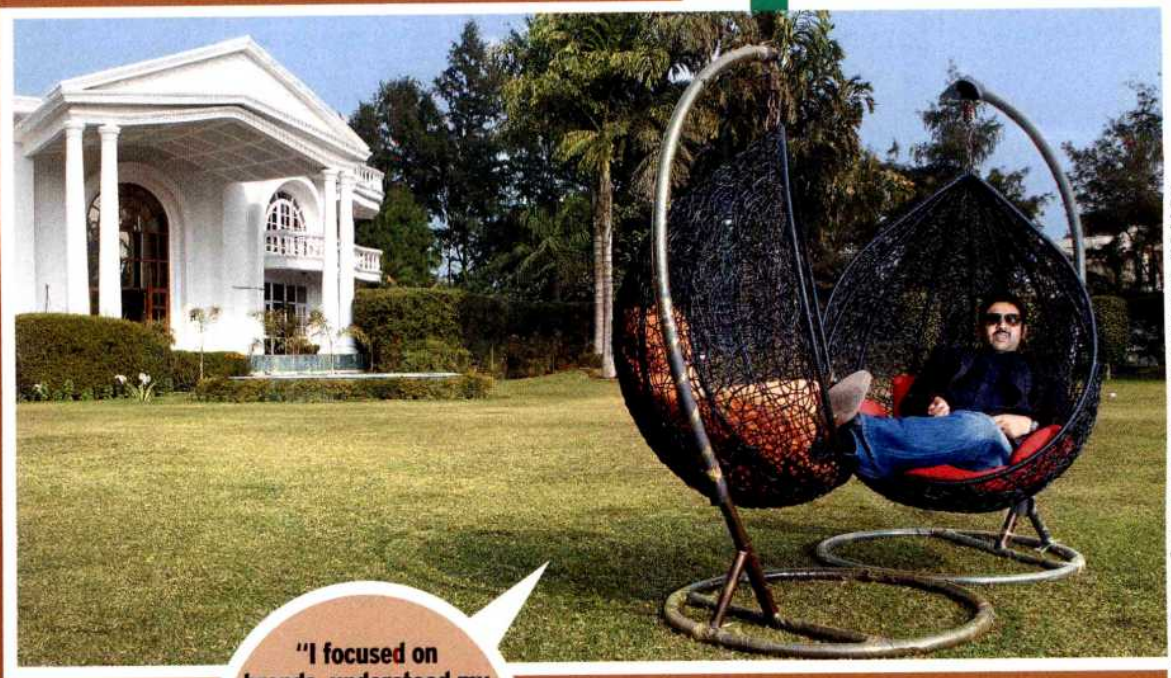
Rhiti manages the affairs of Mahendra Singh Dhoni, captain of the Indian cricket team. He and Pandey are old friends. So much so that Pandey refers to Dhoni in every other sentence and recently installed two swings in the sprawling front lawn at Rhiti's office thinking that Dhoni and wife Sakshi might like to spend some time on them.

Between the agreements with the mother and Uth Beverage lies a story of abstract things like friendship, trust and instincts, which changed the very tangible world of branding, endorsements and sponsorships in India. A lot of this involves Pandey and that man Dhoni, who has become the first Indian sportsperson to earn over ₹100 crore a year in endorsement fees.

Some may object to the use of "that man" to refer to Dhoni. At least in one case, a god benefited from their association. Several newspapers reported breathlessly in mid-March that the Deori Temple in Tamar, an hour's drive from Dhoni's hometown Ranchi, had seen the traffic of devotees rise from 50 a day to 500 since news spread that Dhoni was a regular there. Donations had jumped from ₹5,000 a month to ₹1 lakh.

But why grudge the temple its gains? It is mere stardust.

Forbes magazine, the world's



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"I focused on brands, understood my responsibility and bonded with them"
ARUN PANDEY,
M.S. Dhoni's manager, at the White House, his office at a New Delhi farm house

personal wealth watcher, put Dhoni at 31 in its list of the richest sportspersons, ahead of Usain Bolt, Novak Djokovic, and Wayne Rooney. Of the $26.5 million he earned, $23 million came from endorsements, nearly 40 per cent more than what Sachin Tendulkar got from plugging brands and products.

But that calculation is dated; it is about the year to June 2012 and does not take into account many of Dhoni's recent deals, his special purpose vehicles, and his equity partnerships. All this thrown in, those close to Dhoni say he would be a lot closer to number one than 31.

Pandey says Dhoni's stock has risen sharply since Rhiti began managing him in 2010, with the World Cup victory two years ago providing a tremendous boost. "Those days [before Dhoni and Rhiti came together] he used to get ₹2.5 crore to ₹3 crore per brand. Now [he gets] ₹10 crore.... The total then was about ₹40 crore. Now more than ₹100 crore come. In India sports icons were so far exploited. You know how long their careers are. M. S. Dhoni as a brand has risen above all this. When you talk of M. S. Dhoni, you talk of India," says Pandey, who does tend to become enthusiastic when talking of the jewel in his crown.

This is a far cry from 1995, when Mark Mascarenhas of WorldTel signed a watershed deal in which Sachin Tendulkar would get $7.5 million. A tidy sum, but it would trickle in over five years. At the time only Mohammed Azharuddin, the captain, came close to rivalling Tendulkar in star power and could have pulled ahead had India won the World Cup in England a year later.

As things turned out, India won its next world title only 11 years later, the inaugural T20 World Cup, and then won the real thing, the ODI title, in 2011. The two titles delivered on the promise of untold riches, but Azhar was no longer in the picture. Dhoni, who led the team to both the victories, reaped the rewards, and reaped much more than Azhar might have, because he was ready. But we are getting ahead of ourselves.

Dhoni is the first Indian sportsperson to earn more than ₹100 cr a year in endorsements

Not too long ago, celebrity management in India was all about Rikkuji, says Manish Porwal, former CEO of Percept Talent Management, who has ventured into celebrity management consultancy with his own company, Alchemist. Rikkuji was how everyone addressed Rakesh Nath, secretary to Madhuri Dixit, the Bollywood queen of the 1990s.

Rikkuji was secretary in name only; in reality he was all things to Dixit, striking deals for her, talking to her producers, and managing her schedule. Other film stars had their own Rikkujis.

Many of the Rikkujis worked on in-

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MSD HIGHS

Dhoni ventured where no other Indian sportsman dared to tread

First to cross ₹100 crore a year in endorsement fees

Fees rose from ₹60 lakh per deal to over ₹10 crore in under eight years

Expanded the scope of endorsements by signing equity deals

Has special purpose vehicles for ventures like the superbike racing team

Forging life-long associations with brands, planning beyond playing days

stinct and through unofficial channels. They thrived when the film industry was inward-looking, worked on verbal agreements, and had their sources of finance hidden out of sight.

Things began to change as corporatisation and transparency pulled Bollywood out of the shadows. Around the same time, cricket players came into their own as brand ambassadors. Salim Durrani was an oddity while promoting Brylcreem, Sunil Gavaskar his usual prima donna self while appearing in Thums Up advertisements, and Kapil Dev the favourite son making well-deserved money on the side by lending his earthy voice to *Palmolive da jawab nahin*. But in the new century, only those walking through the team stayed out of advertising. Those who became fixtures, also became a regular in commercials. The time came when brands like Pepsi and Samsung would rope in not one or two but nearly half the team in a single commercial.

The house of Percept, headed by brothers Shailendra and Harindra Singh, outdid WorldTel, providing professional services to a bunch of celebrities – cricketers as well as film stars – with a minimum amount guaranteed in fees. But Percept did not have control over film selection; that the stars decided. And film roles have a high impact on an actor's branding.

There was a time when Percept soared high, but its zenith would remain Sourav Ganguly, the captain of the cricket team from 2000 to 2005, who earned a reputation for being feisty and won matches outside the Indian subcontinent.

The flip side of being feisty is controversy. Ganguly got into a bagful of those. The lowest point was his bickering with coach Greg Chappell, in which leaked emails were used as a potent tool. For all his vision as captain, Ganguly failed to look too far into the future when it came to off-field management of his image.

> The idea is to make sure brand Dhoni lives beyond his playing days

Dhoni does, and how far into the future he sees will be known only once he is done playing. For now, he is back to being everyone's favourite. On March 6, two days after India got into a 2-0 lead over Australia in their four-Test series, Gavaskar said Dhoni should stay captain till 2019. The same day, *The Times of India* said "Dhoni's brand value to get double-ton boost".

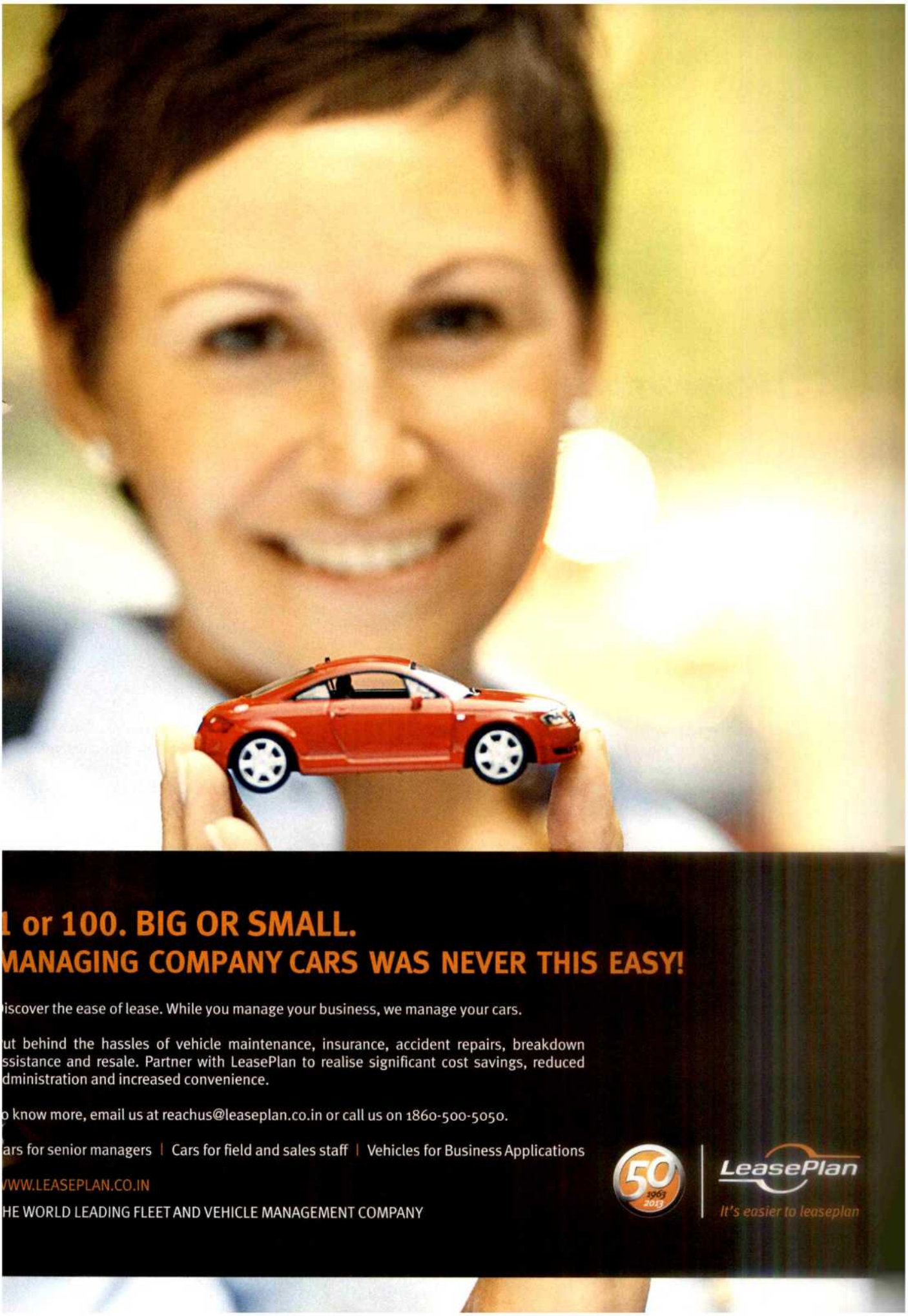
Gavaskar's earlier contention – voiced a few weeks back – was that the sooner Virat Kohli was made captain the better it would be. *The Economic Times*, *The Times of India* group's business daily, carried a report on December 19 headlined: "M.S. Dhoni loses five brand endorsements as his popularity seems to wane".

In the midst of it, Dhoni's own voice managed to retain its natural lack of modulation. All he had to say after the victory in Hyderabad, which made him the most successful Indian captain in Test matches, was that the milestone was "over-rated and hyped".

Ganguly's enduring image will be his bare torso on the Lord's balcony, waving his jersey in response to Andrew Flintoff taking off his shirt after winning a match on England's tour to India.

Dhoni could have gone much further after going 3-0 up against Australia in Mohali on March 18. The rabble rousers were shouting from the rooftops about the dish best served cold, as the Indian team had lost all four Tests on the last tour to Australia. But all Dhoni said was: "We don't think about revenge in sport."

It was not always like this. One of Dhoni's early moves to build his own brand was a deal with Prannoy Roy's NDTV for exclusive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interviews, views, and special shows. At a press conference on a hot Sunday afternoon in May 2006 to announce the deal, Dhoni appeared in a full-sleeve, dirt brown, round-neck T-shirt, sporting long, bleached hair, and mouthed platitudes. He had the bearing of a boy from the boondocks trying to be cool. A year later, he had succeeded.

CAPTAIN'S CORPS

The brands Dhoni endorses

1. Reebok
2. Lays
3. Pepsi Beverages
4. Aircel
5. Exide
6. Boost
7. TVS
8. Ashok Leyland
9. Maxx Mobiles
10. Siyarams
11. Orient
12. Dabur
13. Titan
14. Lafarge
15. UB
16. Amrapali
17. Gulf Oil

As India won the T20 World Cup, without stalwarts Tendulkar and Rahul Dravid, who chose to opt out of the then fledgling format, Dhoni was the toast of the country. He led a parade that brought the Mumbai traffic to a standstill and earned the moniker of Captain Cool.

By that time, Arun Pandey, who had played in the Ranji Trophy with Dhoni, had reconciled to his own limited talent. He knew he did not have it in him to break into the national team. Along the way, he had spent time at the office of music and movies company T-Series, where he befriended founder Gulshan Kumar's brother Darshan. He would just hang around and do the odd bits of work Darshan Kumar threw his way to give him a taste of things.

"I learned a lot from them; they knew how to deal with people," says Pandey. The time spent at T-Series gave him the belief that he could hold his own in the corporate world. He took the plunge in 2007, and set up Rhiti Sports, named after one of the several forms of goddess Durga, the presiding deity at the Deori temple in Tamar.

He had already done a few deals. Though first Gameplan and later Mindscapes Maestros managed Dhoni, Pandey was never far from him or his deals. "I did a deal for Mahi with Big Bazaar and another with *Dainik Bhaskar*... Since I had a relationship with Mahi, even Jeet (Banerjee, the head of Gameplan) had to speak to Mahi through me. Mahi told everyone they had to come through Pandey*ji*. And I saw that one deal could yield so much – ₹50 lakh to ₹60 lakh. So I began to work hard and did four deals for Mahi."

But how long could this loose arrangement have lasted? And that figure of ₹50 lakh to ₹60 lakh was not going to be enough to afford the man who got India its first world title after the fairy tale of 1983. That Dhoni suffered some setbacks – a loss involving a fashion deal whose details are hazy, charges of forgery against a close associate – only hastened the process. The inevitable happened in 2010 and Dhoni signed on with Rhiti for a minimum guarantee of ₹210 crore over three years. Officially, Dhoni had now overtaken Tendulkar, who held the previous record of ₹180 crore over three years under a deal with Iconix in 2006.

Dhoni and Rhiti wouldn't stop at just the fee record. Together they started to change the way sportspersons were managed. Some of this was done on the field. As Dhoni became vice captain, his fee rose to ₹1.5 crore. The T20 World Cup win pushed it close to between ₹3 crore and ₹5 crore. And after the 2011 World Cup win, says Pandey, endorsements, despite clients' willingness to cough up ₹10 crore, became a small deal.

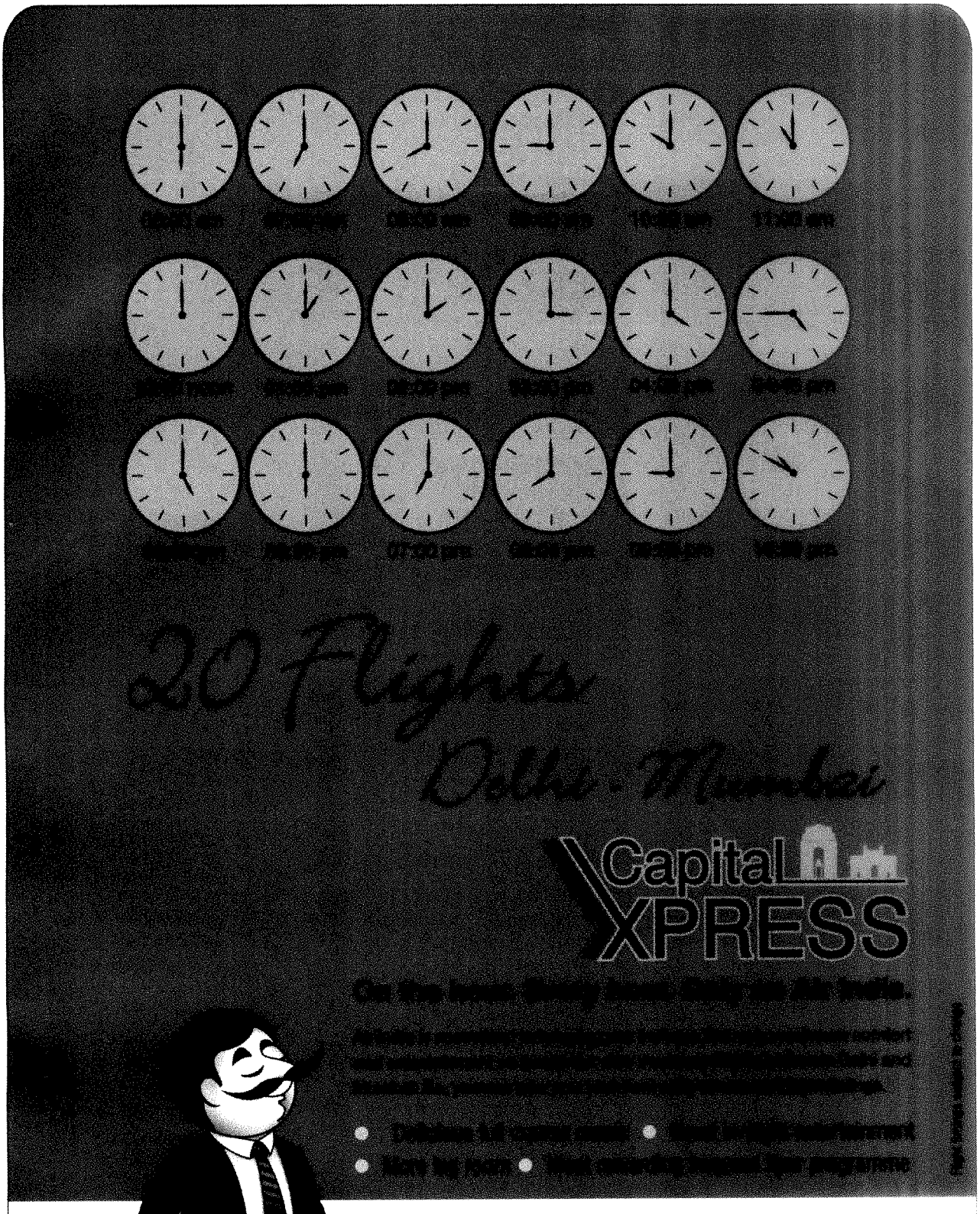
The big deals now are all long-term affairs. At least five deals have been signed in which Rhiti or Dhoni or both – the details are not available – got sizeable equity. And there are half a dozen special purpose vehicles, among them the World Superbike Racing team, Mahi Racing Team India, the fitness chain SportsFit, and perfume brand 7 By MSD. "These are bigger than brand endorsements," says Pandey.

But it is not just about the money. The idea is to ensure that brand Dhoni lives beyond his playing days and conquers the demon every sportsperson faces: a career that blazes out in a few short years.

"We changed the trend and made associations in perpetuity. If you have a turnover of ₹200 crore, you can't match the likes of Pepsi, Airtel, or Aircel. But we will [strike a] deal [with you]," says Pandey.

If your money falls short, you can have a still photograph and use it in your advertising. There will be no shooting dates. Others can pay in shares, or can form joint ventures. Those interested can also get equity in a special purpose vehicle.

"I focused on brands, understood my responsibility, bonded with



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them," says Pandey.

As Dhoni and Rhiti have grown closer, their relationship has gone way beyond the client-firm boundaries. "He is my friend. I am older. I feel bad taking money from him. But I have to run the company," says Pandey, flashing an apologetic smile.

He does not take much. The official quote is 10 per cent of the deal amount, but those in the know say deals may have been struck in which Rhiti keeps less than that.

A few years ago, management firms would keep as much as 30 per cent as commission. Everyone now tries to toe the Dhoni-Rhiti norm – with difficulty. Not every firm has the turnover to survive on a commission of seven or eight per cent. And then there is one more thing.

Rivals says Rhiti does not need to, and cannot, charge any more. After all, Dhoni is its raison d'être.

Pandey is quick to clarify that Dhoni owns no equity in Rhiti, that all of it is owned by Pandey and his family members. But the way he talks of Dhoni makes it clear that equity is not everything.

"Above me is Mahi. He is so honest that if I try to convince him, he says, 'Pandey*ji* do not try to convince me. What is right is right and what is wrong is wrong. You cannot make a wrong right.' Even if there is a loss, [we] must do [the] right [thing]; commitment is commitment. He is a humble man. Compared to him, I am full of air."

You hear similar sentiments from others associated with Dhoni. Vinod K. Dasari, Managing Director of bus and truck maker Ashok Leyland, which for the first time in its six decades of existence hired a brand ambassador – Dhoni, who

RHITI RULES

The difference Arun Pandey's Rhiti Sports has made to the world of endorsements

Agent commissions down from 30% to below 10%

Signed on Saina Nehwal for ₹40 crore a year, the highest for a sportsperson who does not play cricket

Despite the industry maturing, friendships matter more than ever

Mahi Racing Team India got a podium finish within three months of inception

Has started massive grassroots programmes to develop cricket, badminton, soccer

else? – says the choice was almost automatic. "A true son-of-the-soil, a leader who is focused, straight-thinking, passionate and, most of all, humble" is how he describes Dhoni.

According to an official of Indian Premier League franchise Chennai Super Kings, Dhoni never opts for business class when travelling to IPL matches. Once staying at a Chennai hotel, Dhoni came out of a meeting with India Cements executives at nine in the evening and found a policeman standing guard in the corridor leading to his room. He walked up to him and requested him to go home. He planned to order room service and hit the bed early, so there would be no need for the watch.

> Several of the top celebrities do not have written contracts with their firms

It is not just the commission; other equations have also changed in the industry. Though one cannot establish Dhoni and Rhiti as the cause of all the changes, the similarities are uncanny.

For instance, relationships count for more than anything else. "I managed all the big celebrities. The moment I diverted my attention to other businesses, they were uncomfortable," says Percept's Shailendra Singh.

The lack of comfort at times resulted in bigger things than a mere stirring of emotion. When Vinita Bangard left Percept in 2010 to set up her own company, Crossover Entertainment, Priyanka Chopra, with whom Vinita worked closely at Percept, moved with her. The relationship did not last, though; Chopra is now with CAA Kwan. When Bunty Sajdeh left Percept for Globosport, the buzz was that Yuvraj Singh would see out his contract with Percept and move to Globosport. Meantime, Sajdeh moved out and set up his own company, which has Singh as a client.

Relationships matter so much that several of the top celebrities do not have written contracts with their firms.

Pandey, too, is thin on the details of Rhiti's current agreement with Dhoni. He would only say that the minimum guarantee of ₹210 crore has already been paid. "There is no tenure now, only a long-term association," he says.

To Porwal of Alchemist, this is not a healthy way of doing business. "While the industry has grown in scale and scope, it is still primitive," he says.

And we thought the days of the Rikku*jis* were over. ◆

ADDITIONAL REPORTING BY AJITA SHASHIDHAR AND N. MADHAVAN

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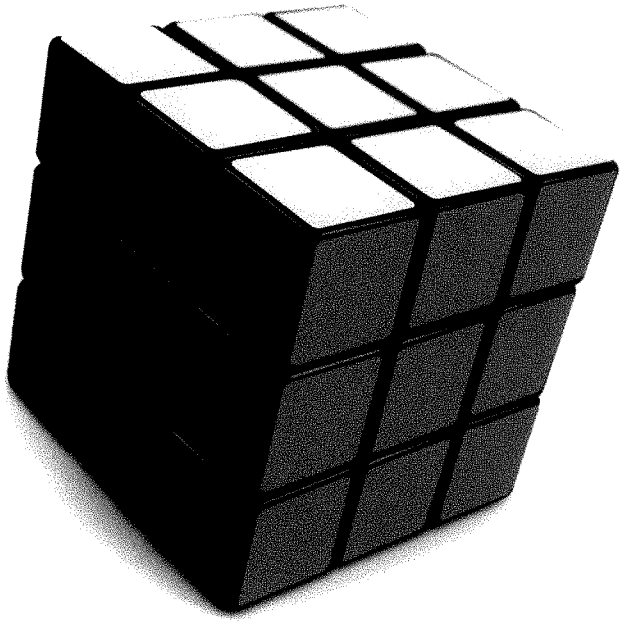

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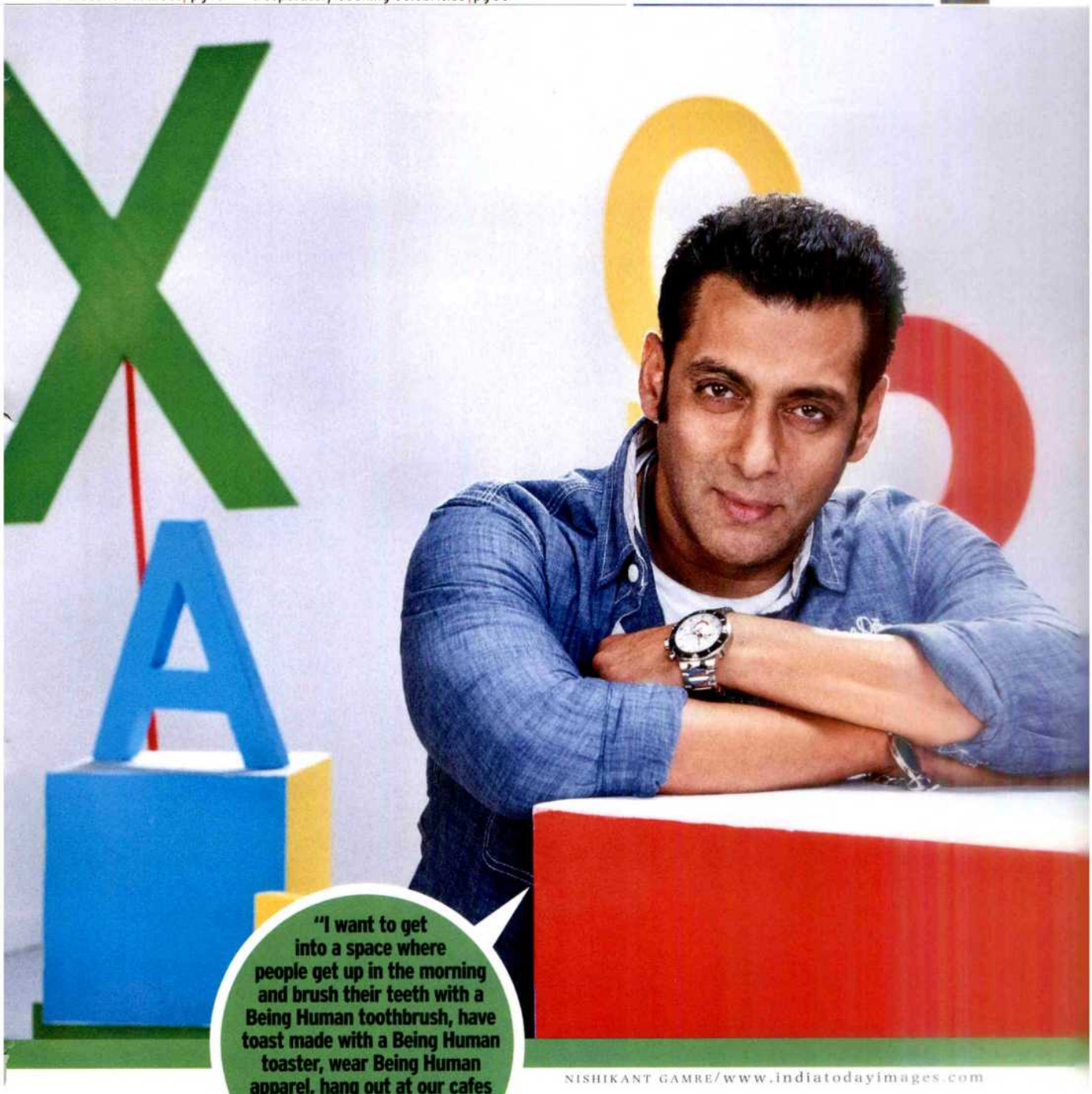
Branded for Life

Salman Khan has successfully leveraged his star status and extended his man-of-the-masses image to his Being Human charity and lifestyle brand.

By AJITA SHASHIDHAR

Ekta Aggarwal, Creative Director of marketing consultancy Landor, got into an autorickshaw in Mumbai that was festooned with Salman Khan's photographs soon after *Dabangg 2* was released. The driver said he decked up his autorickshaw with new cutouts of Khan each time he released a film because the actor had paid for his son's operation.

For millions of fans such as the autorickshaw driver, Khan isn't just a larger-than-life superstar. He is the Bollywood bad guy with a heart of gold who helps them out when they are down and out. And the 48-year-old superstar has successfully leveraged such adulation and extended his man-of-the-masses image to create a charity and lifestyle brand, Being Human, which has almost become as big as him. "Being Human has become a cult. In fact, it has become larger than Brand Salman," says Aggarwal. "Salman doesn't just entertain, but also empowers. Right from the kind of movies he picks to the projects he invests in, he is clear



NISHIKANT GAMRE/www.indiatodayimages.com

"I want to get into a space where people get up in the morning and brush their teeth with a Being Human toothbrush, have toast made with a Being Human toaster, wear Being Human apparel, hang out at our cafes and finally sleep on a Being Human pillow"
SALMAN KHAN
Actor

that he will only talk to the masses."

The star's social clout comes from the Being Human Foundation which provides affordable health-care and primary education to underprivileged people across the country. Set up in 2007, the foundation has teamed up with organisations such as the Marrow Donors Registry India to help patients who suffer from diseases such as leukemia and thalassemia. It recently tied up with Coca-Cola and infotech company NIIT to help a career development centre which provides computer and electrical training to people from rural areas.

Being Human is a charity with an unusual revenue model. It does not ask for donations but raises most of its funds from royalty from the sale of Being Human merchandise. Khan has extended Being Human into a successful fashion brand that sells both in India and several stores in Europe and West Asia. Ten per cent of every sale of a Being Human product goes to the foundation. Khan recently picked up a minority stake in travel portal Yatra.com and one

On the ramp: Khan with Bollywood stars at a Being Human fashion show in Mumbai

rupee from every transaction goes to the foundation. Manish Mandhana, Managing Director of Mandhana Industries, which manufactures and retails the Being Human apparel line, says it is already a ₹100-crore brand. "At the front end, it is a lifestyle brand and at the back end, it is a philanthropic organisation. All royalties from the lifestyle brand support the philanthropy we do," he says.

Marketing experts say the Being Human brand helps boost the Salman Khan brand and has slowly succeeded in overshadowing his bad boy image. Despite his successful movie career, Khan was never one of the biggest names in the endorsement business. But lately he has cashed in on his man-of-the-masses image to sell a host of products with mass appeal such as Britannia Tiger biscuits, Thums Up, Relaxo slippers and Rotomac pens. "Salman in most of his films has a Robin Hood image, which he has seamlessly carried into his real life. He actually tries to live the role he plays in films. This makes him a great brand," says Ashish Mishra, Managing Director of brand consultancy Interbrand India.

In the marketing world, the real test of a successful celebrity brand is how he leverages his status outside of his business.

Football star David Beckham, for example, is not just known for playing world-class football, but has leveraged his brand to run a successful fashion apparel line, dVb. Experts say Khan is one of the few Indian celebrities who have leveraged their stardom for the future. They see Shah Rukh Khan as an astute businessman, with interests in film production and cricket, and as one of the highest paid actors in the endorsement market. But, according to them, most of his forays outside acting are shrewd business moves and do not really contribute to building the star's brand.

Similarly, they see Aamir Khan as a social crusader but not a brand with long-term appeal. "There is a shelf life for the values Aamir represents, but he has done it in a serious way (through his films and shows such as *Satyameva Jayate*). There is more appeal in Salman's way as he doesn't make it boring and preachy," says Interbrand India's Mishra.

With Salman Khan's career on a roll, his brand equity is unlikely to fade soon. All his films in the past two years – *Dabangg*, *Ready* and *Bodyguard*, among them – have been monster ₹100-crore hits. One of his recent releases, *Ek Tha Tiger*, beat all earlier films with box-office collections close to ₹200 crore. But the movie star does not plan to stop at that: he has big plans for the Being Human charity and lifestyle brand. He is working on an education video for schoolchildren which will be sold at video stores across the country and distributed free to underprivileged children.

He also plans to extend the Being Human brand to the food business by setting up cafes with a leading food and beverages company. A percentage of the revenue from the cafes will go to the charitable foundation. "The dream is that Being Human should outlive Salman Khan. I want to get into a space where people get up in the morning and brush their teeth with a Being Human toothbrush, have toast made with a Being Human toaster, wear Being Human apparel, hang out at our cafes and finally sleep on a Being Human pillow," he says.

Is the dream a bit far-fetched? Not really, says Mishra. "If the branding strategy is well laid out, Being Human and brand Salman definitely have the potential of outliving Salman Khan, the actor." ◆

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Salman Khan's endorsement fee per deal. Two years ago, it was just ₹1.5 crore

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Horses for Courses

From a wrestler endorsing a tractor to a chef selling kitchen items, companies are increasingly signing up niche celebrities to promote their brands.

By AJITA SHASHIDHAR

Atul Kasbekar

Panasonic Lumix cameras

Carl Bucherer watches

Mahindra Xylo MUV

A tall model complains of cramped rear leg space in a car during a photo shoot with fashion photographer Atul Kasbekar. The car is then replaced with multi-utility vehicle Mahindra Xylo, and Kasbekar takes a group of gorgeous models for a drive. The models put on their make-up and snack in the vehicle, while Kasbekar stretches out to take a nap during a break. It could be a typical day in the life of India's top fashion photographer, but the photo shoot is actually part of Mahindra & Mahindra's "Happy Legs" advertising campaign for the Xylo.

Why did Mahindra choose Kasbekar and not a popular Bollywood star or a top cricketer for this television commercial, launched in 2010? "We wanted a credible celebrity to endorse the brand and not somebody who was over-exposed," says Vivek Nayer, Chief Marketing Officer at Mahindra's automotive division. The automobile company wanted to emphasise Xylo's ample leg space while keeping its glamour quotient intact, and tall models blended well with the brand's positioning. "The script for Xylo demanded a fashion photographer, and Kasbekar was the only credible celebrity who fitted the script," adds Nayer.

Getting a well-known personality is perhaps the easiest short cut to brand-building. Bollywood superstars Amitabh Bachchan and Shah Rukh Khan as well as Indian cricket captain Mahendra Singh Dhoni each endorse more than a dozen brands. But several companies are now breaking out of the mould. Mahindra is one such company which has signed endorsement deals with people who are very successful in their particular fields but are not necessarily well known to a wider audience.

Another company which has tied up with a niche celebrity is Cadbury. The confectionery maker has roped in film director Anurag Kashyap for an advertising campaign. Kashyap, known for making offbeat films with newcomers, features in a TV commercial for Cadbury chocolates where he is

Sanjeev Kapoor

- Sweekar Sunflower Oil
- Daawat Basmati Rice
- Sleek Modular Kitchens
- Tata i-Shakti Dal
- Natura sugar free sweetener
- Kenstar microwave ovens
- Henkel's Pril dishwash bar

Saina Nehwal

- Yonex sportswear
- Fortune cooking oil
- Indian Overseas Bank
- Whisper sanitary napkins
- Emami Fast Relief pain relieving ointment
- Herbalife health and wellness products
- Top Ramen Noodles
- Airtel 3G

Source: Alchemist

NISHIKANT GAMRE

"A quarter of ad campaigns in 2000 featured famous people"
MANISH PORWAL, MD, Alchemist

Sushil Kumar
Mountain Dew soft drink
Eicher Tractors
Emami Fast Relief pain reliever
Ralson Tyres
National Egg Coordination Committee

shown looking for female actors for his next movie.

The list of niche celebrities with endorsement deals is growing. Fashion designer Wendell Rodricks endorses sanitary ware maker Jaguar's premium brand Artize; Olympian boxer Vijender Singh promotes Mountain Dew, a PepsiCo product positioned as a drink with a macho image; wrestler Sushil Kumar, who won a bronze medal at the 2008 Beijing Olympics and topped it with a silver at last year's Games in London, endorses Eicher tractors. Kolkata-based consumer goods maker Emami has roped in Singh, Kumar and two other Olympic medallists, boxer Mary Kom and shuttler Saina Nehwal, for its pain reliever ointment. Singh and Nehwal now endorse eight to nine brands each.

To be sure, the use of niche celebrities to promote a product is not a recent phenomenon. In the mid-1990s, tabla maestro Zakir Hussain endorsed Taj Mahal tea. Famous chef Sanjeev Kapoor has been promoting kitchen products and spices for several years.

But it is only in the past two to three years that brands have been actively roping in more such personalities. Kapoor says that, of late, he has also been approached by watch makers, apparel brands and even credit card companies. "It's a different matter that I have turned down these companies since I am more comfortable endorsing products which fit into my domain as a chef, but companies are definitely more open to looking at celebrities outside of Bollywood and cricket."

Manish Porwal, Managing Director of celebrity brand consultancy Alchemist, says "a quarter of ad campaigns in 2000 featured famous people, mostly big actors and cricketers". Today, with the rise of successful people in several other fields, three in five ads have a known face, he says. According to Alchemist, celebrity endorsement is a ₹1,000 crore industry and big Bollywood stars make up almost 60 per cent of the market. Cricketers, TV actors and niche celebrities make up the rest.

The obvious reason for a brand signing up a lesser-known celebrity is lower cost. A Bollywood superstar such as Bachchan or Shah Rukh charges between ₹6 crore and ₹10 crore per brand. A top cricketer like Virat Kohli would take between ₹1.5 crore and ₹3 crore. In contrast, a niche celebrity makes ₹50 lakh to ₹1 crore per endorsement.

Marketers insist that other factors are equally important. "While cost is an aspect, brands are looking at niche celebrities more from a perspective of breaking the clutter," says Anirban Das Blah, Managing Director of celebrity management company CAA Kwan. Hitesh Gossain, Senior Vice President, Business Development and Strategy, Percept Talent Management, adds that companies are fast realising big stars often overpower the brand. Krishna Mohan, CEO for sales, supply chain and human capital at Emami, says

Hitesh Gossain (right), Senior VP, Business Development and Strategy at Percept, says big stars often overpower the brand

the decision to rope in non-cricketers reflects the recognition that sports other than cricket are getting in India. "We wanted to associate with youth icons outside of cricket also," he says.

Photographer Kasbekar, who is also the Managing Director of celebrity management company Bling, says many companies do not want to sign big stars unless they fit a particular brand's positioning. He refers to a recent Nescafe campaign featuring actors Deepika Padukone and Purab Kohli and the music director trio Shankar-Ehsaan-Loy (all of them his clients). While Padukone and Kohli have been associated with the coffee brand for quite some time, the company wanted another pan-Indian face to reinforce the Nescafe jingle with a new campaign. "We decided to zero in upon a musician and not another actor," says Kasbekar, referring to Shankar Mahadevan.

Kavita Bhupathi Chadha, Managing Director of celebrity and sports marketing company Globosport, explains how the company got Colgate to sign up offbeat actor Rahul Bose to endorse Colgate Total toothpaste. The company wanted to convey the message that Colgate Total does not just whiten teeth but also prevents cavities and strengthens gums. It was looking for a multi-faceted personality to push the brand.

"We brought in Rahul as he is extremely credible as an actor and is also well-known for what he does outside of films," says Chadha. "It was not about economics but the right fit. Colgate could have surely afforded a bigger star, but they wanted a person who had a 360-degree approach."

Many celebrity management companies are focusing on lesser-known stars now. Percept has decided to invest only in such people; it manages Vijender Singh and Sushil Kumar, among others. Bling manages Rocky Singh and Mayur Sharma, the popular hosts of hit food and travel TV show *Highway on My Plate*. CAA Kwan manages choreographer Terence Lewis, director Kashyap and chef Vikas Khanna.

Celebrity management companies deal with big stars and other clients differently. For one, these companies pocket 15 to 30 per cent of a niche celebrity's earnings from endorsements, much higher than the five to seven per cent they charge big stars. One reason for the differential fee is that most big stars take care of their endorsement deals themselves while these companies just manage their events.

Most big stars also do not sign a written contract with the celebrity management companies. Lesser-known celebrities, on the other hand, sign three- to four-year contracts. The companies take care of these clients' endorsement deals, manage the events they attend, and even decide what they say at these events.

Percept's Gossain claims that the company has even invested in grooming people by providing them styling and diction lessons as well to make them marketable. He adds that he does not see an immediate impact on Vijender Singh's endorsement deals, after the boxer's name cropped up in a narcotics case recently.

Singh has reportedly denied any involvement in the case.

Will these celebrities ever surpass the top actors in clinching big-ticket endorsement deals? That is unlikely. Indian companies will continue to hero-worship Bollywood superstars. But niche celebrities now provide a great alternative companies can no longer ignore. ◆

NISHIKANT GAMRE

Anirban Das Blah (right), MD, CAA Kwan, which has clients such as choreographer **Terence Lewis** (left)

NEXT
Desperately Seeking Celebrities

Desperately Seeking Celebrities

The rising stars in the world of endorsements are unable to match the appeal of the old favourites. By MANASI MITHEL and DEARTON THOMAS HECTOR

BRAT PACK

Leaders among the newcomers - what they earn per deal, and some major brands they endorse

Ranbir Kapoor

₹7.5-8cr

No. of deals 10 (8 are active)

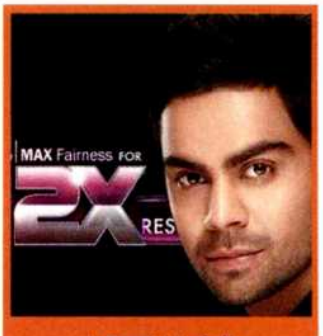
BRANDS
BlackBerry, Lenovo, DoCoMo, Pepsi, Nissan, Hero, John Players, Panasonic, Virgin Mobile

Imran Khan

₹4cr

No. of deals 2

BRANDS
Maaza, MTS



Virat Kohli

₹3cr

No. of deals 13

BRANDS
Flying Machine, Titan Fastrack, Pepsi, Fair & Lovely, TVS Motors, Celkon Mobiles, Toyota, Nike

Mary Kom

₹40-60lakh

No. of deals 12

BRANDS
NECC, Emami, GSK, Piramal, Laxmi Tea, Calcom Cements, Herbalife

Sachin Tendulkar made his international cricket debut in 1989 at the age of 16. That was also the year he appeared in his first commercial – promoting Johnson & Johnson's Band-Aid. Since then, the cricketing legend with 100 international centuries to his name, has done scores of endorsements, of products ranging from soft drinks (Pepsi) to cameras (Canon), from ballpoint pens (Reynolds) to autos (Toyota), and many more.

But now, with his retirement from One Day Internationals announced last December, and his 40th birthday only a month away, Tendulkar's incredible run – and with it his endorsement career – is not what it used to be. Of the 17 deals he has currently signed, only about half a dozen are active. So too, some other giants of the world of endorsements, such as film actors Amitabh Bachchan and Shah Rukh Khan are unlikely to go on for many more years. "People like Bachchan and Tendulkar are once in a lifetime figures in their respective spheres. Having said that, there is always another era and another icon to follow," says Harish Krishnamachar, Senior Vice President and Country Head, World Sport Group (India), which handles Tendulkar's endorsement deals.

Who will replace the likes of Tendulkar and Bachchan? Experts on the ₹2,000-crore celebrity endorsement market doubt anybody from the younger generation can. "There is scarcity of young faces with a pan-India reach," says Anirban Das Blah, CEO and Managing Director of CAA Kwan, the creative agency which manages the endorsements of actor Ranbir Kapoor, among others. "So advertisers rely more on tried and tested old names." He, too, agrees the old guard cannot go on for too long. "In the future these big names will be hard to get."

Discussing sportspersons, ad guru Prahlad Kakkar is equally blunt. "Not many in the younger generation have charisma," he says. "Badminton champ Saina Nehwal is there, but tennis star Sania Mirza has failed. Cricketer Virat Kohli is aggressive and consistent." On film stars, the verdict is equally clear. "The domination of the Khans – Shah Rukh, Aamir, Salman and Saif Ali – was such that nobody else had the opportunity to

take the baton," says Harish Bijoor, CEO of brand strategy consulting firm, Harish Bijoor Consults. "There is a shortage of male stars."

Ranbir Kapoor and Virat Kohli are, indeed, about the only male celebrities advertising insiders expect to see enter the big league. At present, both have around 10 endorsement deals each – while Kapoor charges ₹7.5 to ₹8 crore per deal, Kohli is well behind at ₹3 crore. (See *Brat Pack*.)

"We believe Ranbir Kapoor symbolises the hopes and aspirations of contemporary Indian youth," says Varghese M. Thomas, Director, Corporate Communications, BlackBerry, India and Greater China region. Bijoor maintains the inability of new stars to match the appeal of the old favourites will lead to marketers hedging their bets. "Brands will remove single star ads. They will go for multi-starrers," he says.

The looming shortage of icons with pan-India appeal is also changing the endorsement scenario in other ways. So far, neither advertisers nor celebrities have been too discriminating about matching the celebrity to the product. "Both marketer and celebrity appear to be guided by short-term opportunism," says Kiran Khalap, Co-founder, chlorophyll brand & communications consultancy. "The marketer seems to be looking to win a lottery. The celebrity seems to be saying, 'How does it matter what brand I endorse so long as I'm paid'." He cites the example of Bachchan who endorses products with widely varying target consumers – from baby massage oil (Dabur Lal Tail) to cement (Binani Cement) to diamonds (Tanishq), and more.

Marketers have been able to get away with this because of the wide appeal across target groups celebrities like Bachchan possess. With the new crop lacking similar acceptance, they are beginning to sharpen their focus. The Emami group's ads for their painkiller ointment Himani Fast Relief, for instance, uses the ubiquitous Bachchan no doubt, but also a host of sportspersons – Saina Nehwal, boxer Mary Kom, wrestler Sushil Kumar and cricketer Gautam Gambhir.

"Olympic stars are becoming popular. They were a good fit for this brand, as the sports they shine in often cause injuries," says Krishna Mohan, CEO – Sales, Supply Chain and Human Capital at Emami. Similarly, Olay has used yesteryear superstar Madhuri Dixit, 45, to promote its anti-ageing cream.

Celebrity management companies, too, are looking beyond film stars and cricketers. (See *Horses for Courses*, page 76.) Thus Percept Talent, one of the best known among them, has wrestler Sushil Kumar, shooter Vijay Kumar, boxers Vijender Singh, Shiva Thapa, Jai Bhagwan and Vikas Krishnan in the list of those whose endorsement deals it handles.

"It is going to be very difficult to replace the likes of Amitabh Bachchan and Shah Rukh Khan. But, everyone has to move on," says Emami's Mohan. ◆

Send your comments to editor.bt@intoday.com

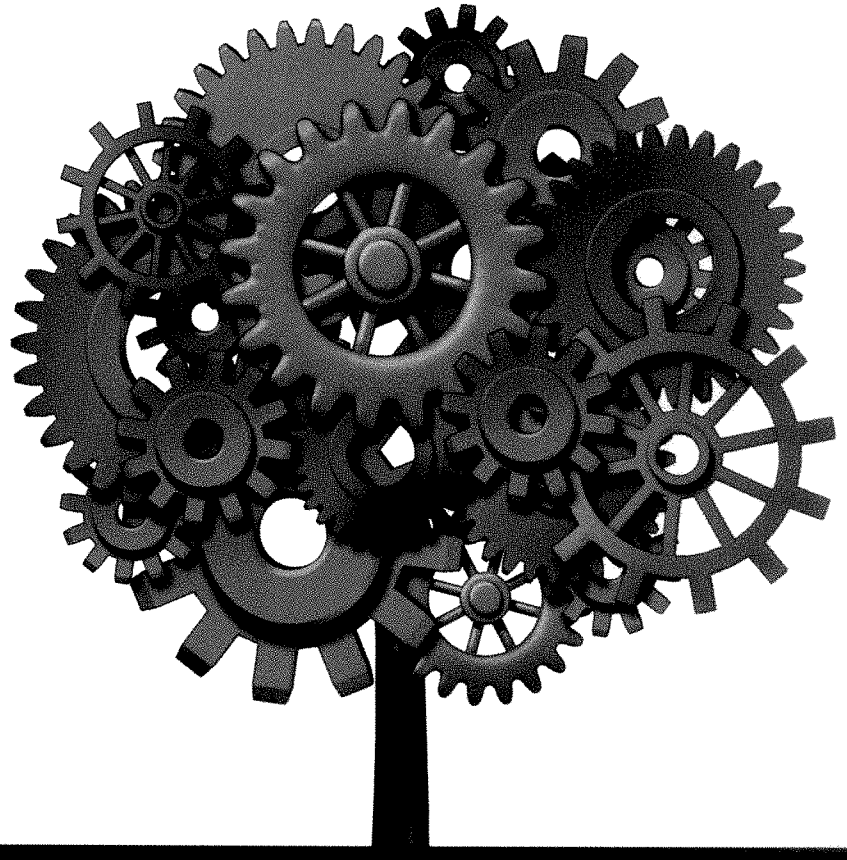
STILL AHEAD

The veterans - and their charges for each endorsement deal

(10 are active)

(5-6 are active)

ENGINES OF GROWTH



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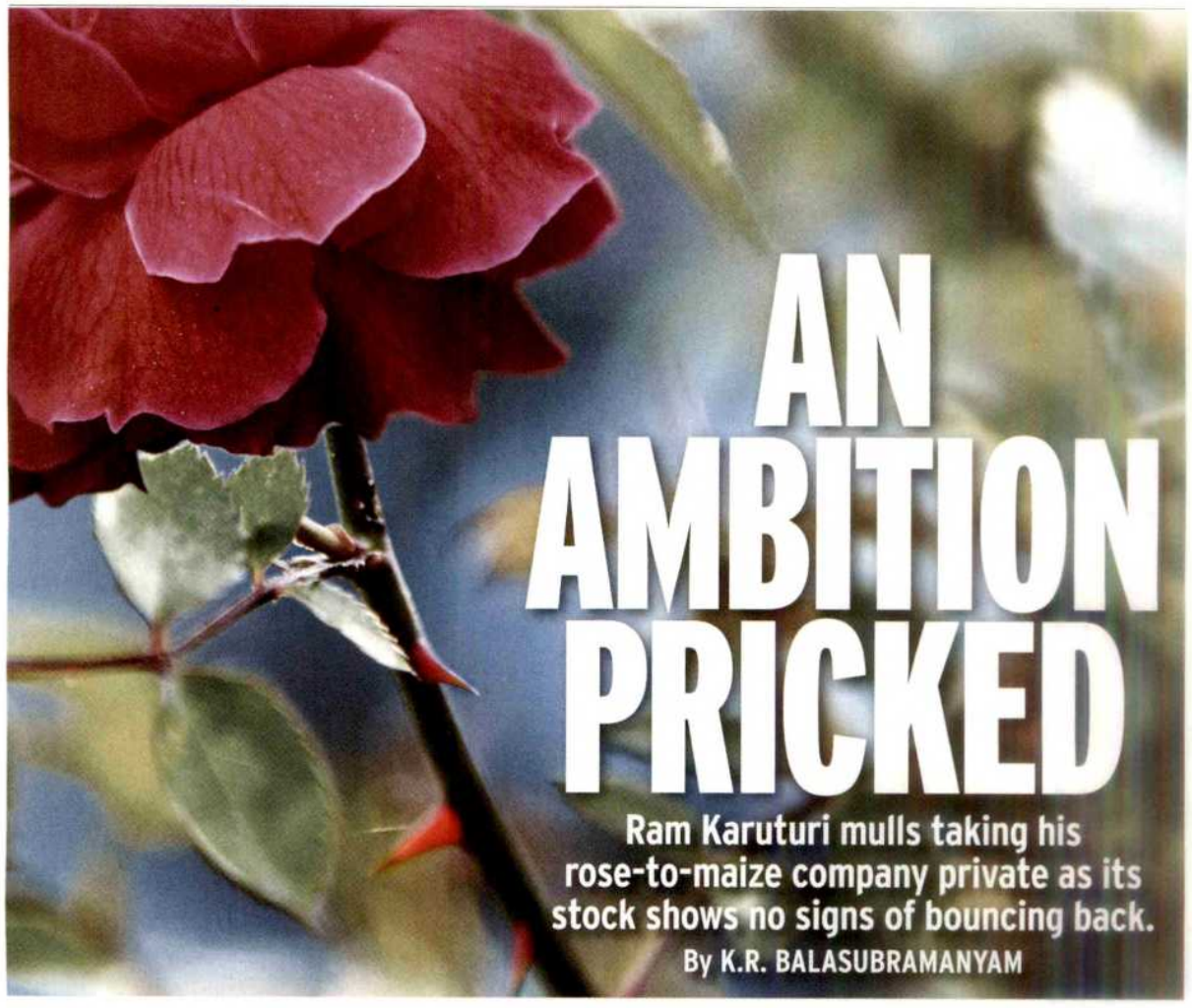

SHEKHAR GHOSH

AN AMBITION PRICKED

Ram Karuturi mulls taking his rose-to-maize company private as its stock shows no signs of bouncing back.

By K.R. BALASUBRAMANYAM

Sai Ramakrishna Karuturi feels a growing sense of unease these days. It stems from an email that Karuturi, whose eponymous floriculture company is the world's largest exporter of rose stems, received on March 7. The sender wrote he had lost ₹7 lakh by investing in Karuturi Global Ltd's shares. The investor also asked if there was any hope of a recovery of the stock which has plunged more than 90 per cent to ₹3 apiece from ₹38 in October 2010. "Many people have lost money," says Karuturi. "I have a responsibility towards them."

Karuturi founded the company in 1994 to produce and export roses. Today, it has production bases in India, Kenya and Ethiopia with total annual capacity of 450 million rose stems. He diversified into agriculture in 2008, planning to grow food crops such as maize, rice and sugarcane. The expansion, fuelled by debt, has yet to pay back and the bulk of the company's income still comes from flower exports. Rising debt and the slow pace of growth of the farm business have weighed on shares of the company, which has a market capitalisation of less than ₹250 crore.

Karuturi blames the poor showing on three events: floods destroying his first maize crop in Ethiopia in late 2011, inclement weather in Europe hurting sales of roses in the last Valentine season, and the consequent cash crisis that led the company to defer redemption of overseas bonds in October 2012.

Karuturi Global controls nine per cent of the European cut-rose market

Analysts say the company's shares crashed due to its cash-flow problems and bulging debt. Karuturi Global's consolidated debt was ₹753 crore as of March 2012, according to ratings firm ICRA Ltd. This is more than double the ₹311 crore it had in March 2008. During the same period, net profit rose about 50 per cent while revenue climbed 63 per cent. Shriram Subramanian, Managing Director at InGovern Research Services, a proxy advisory firm in Bangalore, says the company has stretched its balance sheet and has not provided for contingent liabilities such as disputed taxes of more than ₹141 crore and statutory dues of ₹15 crore.

Foreign institutional investors have, of late, been sceptical.

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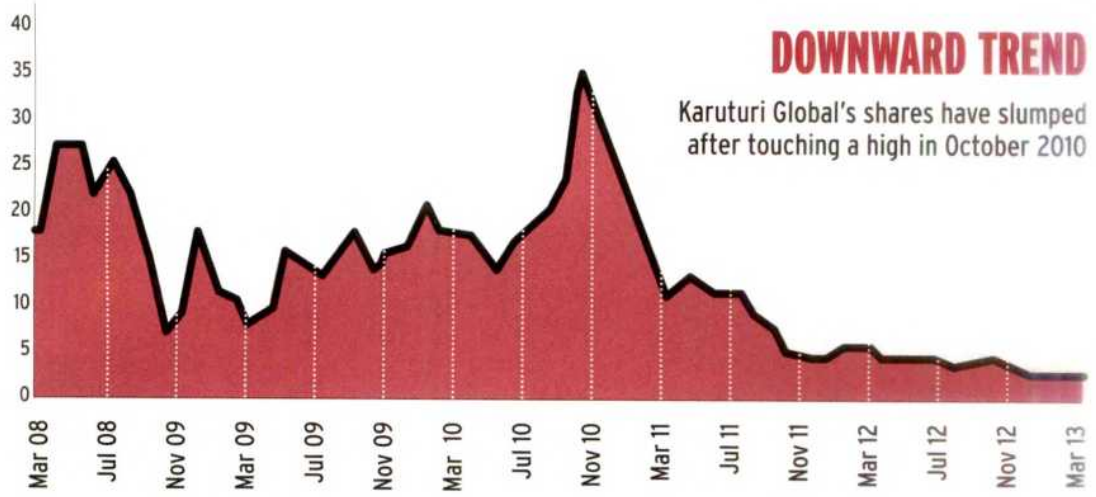


Source: BSE

They have slashed their stake in the company to 20.75 per cent at the end of 2012 from 28.04 per cent a year before. In a bid to restore investor confidence and give them an option to exit, Karuturi says he is planning to make an open offer in May to buy shares. "We will launch the open offer as soon as statutory permissions are in place," he says. After the open offer, he might consider taking the company private. "At this (stock) price, it does not make sense to remain listed," he adds. Karuturi is also toying with the idea of listing in the Netherlands or Singapore instead. "Agriculture stocks are valued better in these markets than in India," he says. At ₹3, the Karuturi stock is trading at a price-to-earnings ratio of 1.88, indicating that investors do not expect high earnings growth in the future.

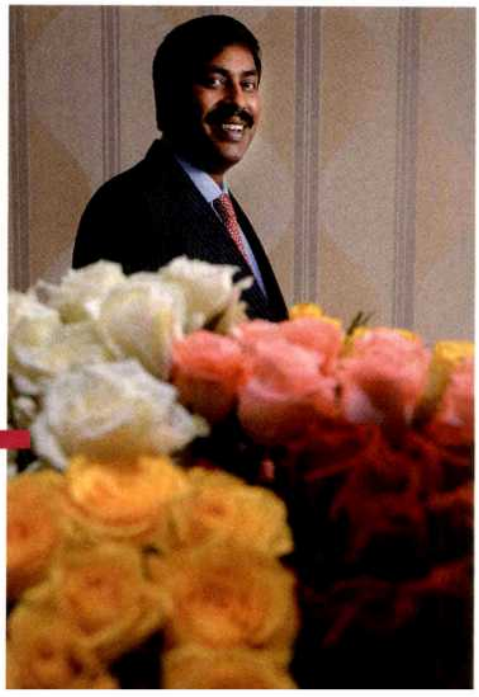
Delisting the company, however, is not an easy task. Stock-market rules require promoters to hold at least 90 per cent of a company to take it private. Promoters hold a 16.29 per cent stake in Karuturi Global, the company said in an email. "The promoter group can think of delisting only after they first acquire 75 per cent of shares," says Vivek Mallya, a chartered accountant in Bangalore. "They still have a long way to go."

Karuturi says he has sold a property in Bangalore's prime MG Road area for the cash he needs to first increase his stake and later fund the open offer. The company's financial health is also improving. It harvested its maiden maize crop in Ethiopia in the October-to-December quarter and business in the Christmas season grew. This helped sales expand 18 per cent from a year earlier to ₹167 crore while net profit climbed 34 per cent to ₹57 crore. "The past is behind us. We are well on course," he says.

The company plans to plant rice, maize, jute and cotton this year. It has sewn up trade tie-ups with Saudi Arabia, Kenya, Sudan and Ethiopia for some crops. Karuturi says the company has 250,000 acres of land in Ethiopia's southwestern Gambella region, and has an option to double the area. It has invested about ₹1,000 crore to grow crops on 100,000 acres of land and would need ₹1,500 crore more by 2015. The company will arrange half the amount from internal resources and the balance through debt or equity, he says.

Still, some analysts are cautious. Karthik Rangappa, founder of the Bangalore-based equity research firm The Quant Lab, says there is little hope for the stock to move much higher at this stage. He adds that a chunk of Karuturi's estimated earnings of two years will be required to repay holders of its overseas bonds that it restructured in March. The outstanding amount on these bonds is $39 million (about ₹210 crore) plus interest. Global financial giant Goldman Sachs Group holds nearly three-fourths of these bonds.

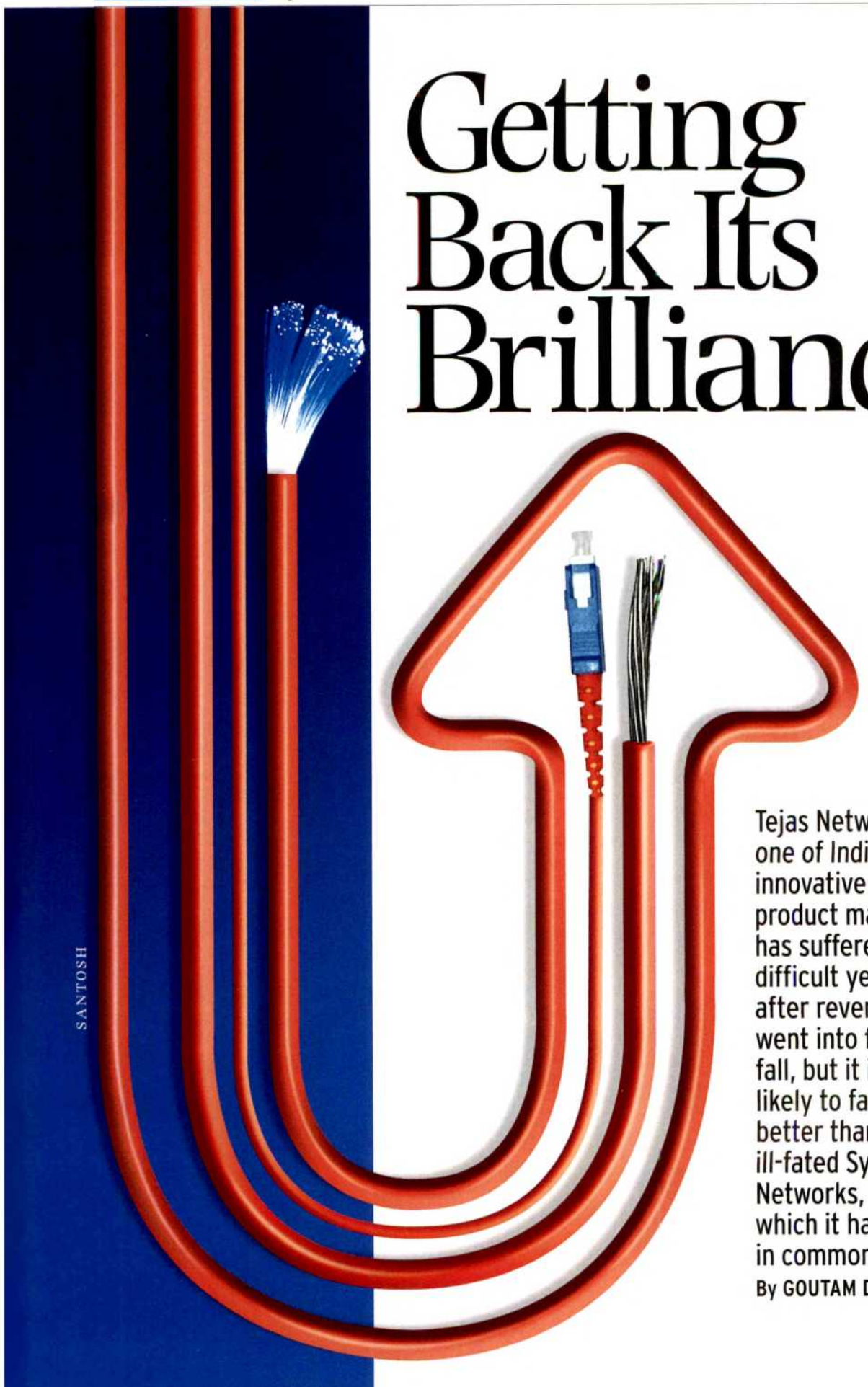
The company will have to perform consistently to win back investors, says Nikhil Vora, Managing Director at IDFC Securities. "The big challenge will be generating healthy cash flows from the farm business." ◆



NILOTPAL BARUAH

Hoping for a rosy future: Karuturi Global founder Sai Ramakrishna Karuturi

Getting Back Its Brilliance



SANTOSH

Tejas Networks, one of India's most innovative telecom product makers, has suffered three difficult years after revenues went into free fall, but it is likely to fare better than the ill-fated Sycamore Networks, with which it has much in common.

By GOUTAM DAS

Interview with Gururaj Deshpande at
www.businesstoday.in/gururaj-deshpande

On December 30, 2011, Cyclone Thane hit the Tamil Nadu coast with winds of 140 km per hour and tidal surges of 1.5 metres. The hurricane blew the roof off Tejas Networks's factory in Puducherry, which makes telecom networking gear. The flooded factory stopped work, resulting in a two-week disruption of the supply chain.

Just two months later, in February 2012, a fire that started elsewhere in Tejas's office building on Bangalore's Hosur Road engulfed the company's sixth floor lab. The smoke and soot damaged equipment, halting work for a week.

The calamities only added to the networking products company's poor run. "We had fire, floods and scams," says co-founder and CEO of Tejas Networks Sanjay Nayak with a laugh. It was much less funny when the 3G auction in 2010 and the 2G spectrum scam in 2011 made telecom operators wary of spending on equipment. According to market research company Ovum, in 2009, Indian vendor revenues in the networking equipment market that Tejas plays in were $844 million (around ₹4,587 crore). In the four quarters up to September 2012, this had dropped 49 per cent to $430 million, while capital expenditure in telecom fell 48 per cent during the same period. After seven years of rapid growth, the company peaked at ₹706 crore in 2008/09, but revenues nosedived 70 per cent to ₹213 crore in 2011/12. After being profitable for years, the company slipped into the red.

Many question whether the company is headed in the same direction as Sycamore Networks, the former stock market darling that in March 2000 was worth $45 billion in the United States. On January 29 this year, Sycamore shareholders voted to dissolve the company, whose worth had declined to $64 million. The company failed to keep up with growing competition and commoditisation of the networking marketplace.

Sycamore's co-founder, Indian-American entrepreneur and venture capitalist Gururaj "Desh" Deshpande, has invested $30 million in Tejas and is its Chairman. Tejas, founded in 2000 by Nayak, Kumar N. Sivarajan (who is Chief Technology Officer) and Arnob Roy (President, Engineering), began by reselling Sycamore products in India and went on to make gear.

Both Sycamore and Tejas make and sell optical networking equipment, which uses pulses of light to transmit voice, data and video. With data downloads becoming more common in India, telecom companies are expected to switch from microwave transmission to optical networking wherever possible, as it is far more efficient. A single wavelength of light can carry hundreds of gigabits of data, compared with 300 megabits on microwave networks.

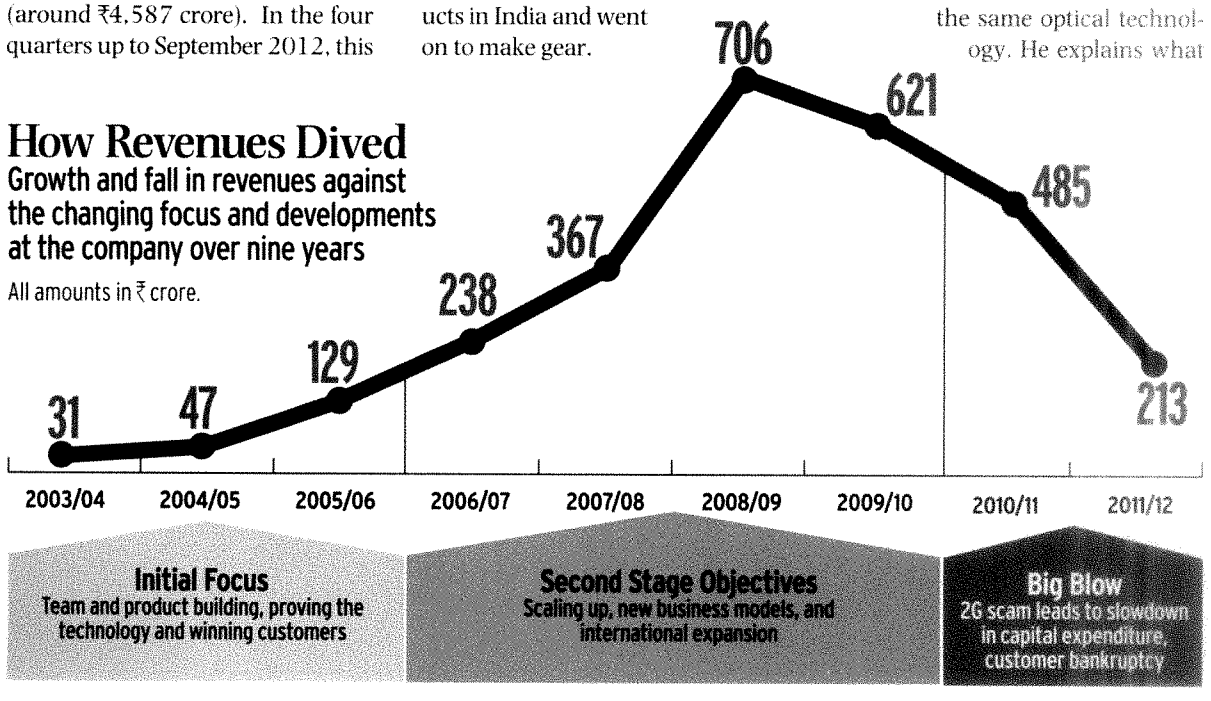
While Sycamore's failure has made people sceptical about Tejas, Deshpande argues Tejas can swim again and take on the Chinese, particularly Huawei. Tejas has different DNA, he says, and is more cost-competitive and innovative.

"The magic of Sycamore was its technology – people could get huge amount of bandwidth," says Deshpande, who spoke to Business Today on the phone from the US. "When we had a huge market cap of $40-50 billion, every venture guy wanted a Sycamore-like company. There were about 250 Sycamore Networks." He points out that big companies such as Alcatel and Nortel invested huge amounts of R&D in the same optical technology. He explains what

How Revenues Dived

Growth and fall in revenues against the changing focus and developments at the company over nine years

All amounts in ₹ crore.



Source: Company

"In 2000, a lot of VCs in the US said compani would have CEOs in California and the team ir India, and they said they would go after the Indian market. That does not work

GURURAJ DESHPANDE

went wrong: "Then suddenly, the industry found that the capability of the technology was huge – 200 laser beams on a fibre and people could barely use five or six. The technology overshot big way in terms of what it was capable of doing and what was needed. When that happens, it becomes a commodity market. That's not Sycamore's strength."

Tejas is a different story, says Deshpande, as it's not trying to sell high-end technology like Sycamore. It was more of a business plan innovation, he adds, to sell optical gear using India's low-cost resources.

CEO Nayak adds that Tejas is also innovative in other ways – for instance, in how it develops products. Traditional networking companies spent a lot of time designing a custom chip for a networking product, which was relatively expensive, but Tejas planted Field-Programmable Gate Arrays (FPGA) – programmable integrated circuits – inside its products. Nayak says: "FPGA can be bought off the shelf. You can program most of the networking functionality and create a hardware which is flexible and resilient. It has a shorter product development cycle than anybody in the world today."

Since 2004, Tejas has won innovation and excellence awards almost every year. Twice it has won the Diamond Jubilee Technology Award – regarded as India's highest technology prize – of the Council of Scientific and Industrial Research.

Customers like Tejas because it is cost competitive and innovative. Tata Communications is one of its oldest customers. New Jersey-based Matthew Ma, Vice President of Transport Network Engineering at the Tata company says his firm picked Tejas because of its low-cost and feature-rich products, its understanding of the Indian market and its customer-friendliness.

In optical networking, Tata Communications has other vendors, such as Ciena, Alcatel-Lucent, Huawei and ECI Telecom. "We have lot of platforms in our network. For the same purpose, we typically have two or three vendors. Tejas i ployed in our metro (networkir a metropolitan area). Here, the definitely ranked top one or among other vendors," Ma say

Even with its revenues sh ing, Tejas has a good market : in optical networking in I According to research firm Ovu share increased from 13 per ce the first quarter of 2009 to 2 cent in the third quarter of 20 is ahead of Huawei (19 per cent ECI (15 per cent). Tejas's custc have loosened their purse stri bit in 2012/13, and the com

Fortune teller: CEO Sanjay Nayak says Tejas's business model will increase its international revenue mix

DEEPAK G. PAWAR

Who Invested, Who Sold

TOTAL CAPITAL RAISED BY TEJAS:

₹330 cr

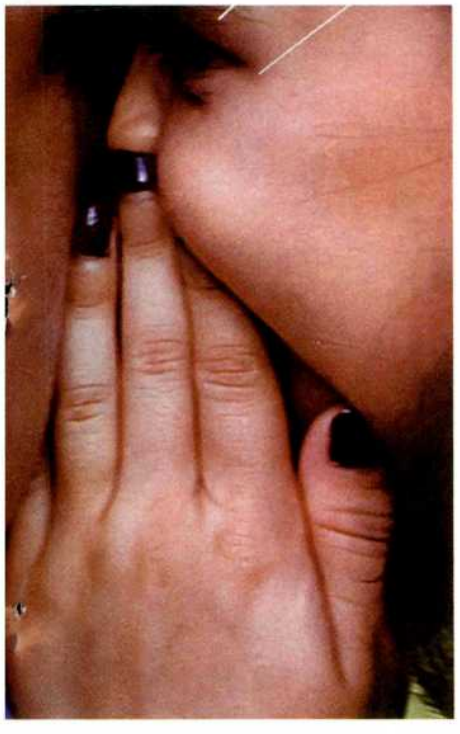
2000	2002	2004	2006	2007
Sycamore Networks and Gururaj Deshpande	Intel Capital and IL&FS (IL&FS sold its stake to Mayfield in 2006)	Battery Ventures (stake sold to internal investors in 2010)	Sandstone Capital, Sun Group (Sun sold its stake to Frontline Ventures in2009)	Goldman Sachs

Source: Company

has grown 50 per cent from the low of the previous year.

But to get out of the woods, the company needs to sustain the momentum – easier said than done in a cyclical market. When Tejas peaked at ₹706 crore in 2008/09, it was because of two big Bharat Sanchar Nigam Ltd (BSNL) tenders. BSNL did not make many purchases in the following years.

The domestic market for Tejas may grow over the next two or three years, in large part due to increasing government spending. Tejas may benefit from an October 2012 draft policy notification that says the government will give preference to telecom equipment made in India, due to security concerns.



Besides, Tejas has also started to make a big push outside the country. It sells directly under the Tejas brand in Bangladesh, Mexico, and several African and South East Asian countries. In western markets, where marketing is expensive, the company plans to take on Chinese competition by tying up with Western and Japanese companies who would white-label its gear.

"Chinese companies have the same DNA as Indian companies," says Nayak. "When the price got set by the Chinese, the financials of western networking companies deteriorated." He says today, the entire telecommunications and network industry operates at 40 per cent gross margins. He adds: "But the sales, general and administrative expenses and R&D of all western companies is around 40 per cent. Therefore, you are not making any money...the cost structure is very high while the selling price is low. This is the opportunity we saw."

In 2012, for instance, Paris-based Alcatel-Lucent reported a net loss of €1.4 billion (₹9,852 crore). The company is tight-lipped but sources say Tejas has signed OEM deals with US-based optical networking company Ciena (net loss of $144 million in 2012) and with a large Japanese telecommunication company.

Nayak calls this business model a "game changer". He says: "While R&D is our strength for selling telecom products to the world, we are not there as a country." The model would let western companies have access to cheaper products and compete better with Chinese vendors. And it would help Tejas increase its international revenue mix to 40 to 45 per cent of overall revenues in 2012/13, from 25 per cent last year, says Nayak.

However, investors are unlikely to forget the Sycamore hangover in a hurry (see *Who Invested, Who Sold*). The Sun Group, Battery Ventures and IL&FS have exited, and more may do so. Given its strategy to counter Chinese competition, doesn't it make sense for a western networking company to acquire Tejas?

"Maybe, maybe not," says Deshpande. "I think western companies should be a little careful. In 2000, many venture capitalists in the US said it was a great model – companies would have CEOs in California and the team in India. They said they would go after the Indian market. That doesn't work. If you want a 15 to 20 per cent bottom line on a 40 to 45 per cent margin, you need a team in India which can drive with their cost models."

Nayak may well have been advised by the board not to get distracted by talk of acquisition, an IPO or any other form of fundraising. Sustained growth alone can calm investors' nerves. ◆

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Financial Uplift

High jinks: Rajesh Srivastava, CMD of Rabo Equity, lifts LT Foods's CMD V.K. Arora

Once an unfashionable sector, agribusiness has lately seen strong interest from PE and VC funds. By G. SEETHARAMAN

K.R.K. Reddy will not forget 2008/09 – and not just because financial turmoil paralysed the whole world then. About 10 private equity (PE) funds approached him to pick up a stake in his 15-year-old Sri Biotech, which makes crop nutrition and protection products. "We hadn't had many proposals earlier, but at that point we were not interested, because we wanted to come out with an initial public offering," says the Hyderabad-based Reddy. One of those 10 firms was a little unusual. India Agribusiness Fund had just been set up by the PE arm of Dutch financial services provider Rabobank Group. According to Rajesh Srivastava, Chairman and Managing Director, Rabo Equity Advisors, it was the first fund in Asia to focus solely on agribusiness and food.

"I met Srivastava and his team half a dozen times before we inked the deal (of ₹45 crore) in March 2009," says Reddy, a Ph.D in biotechnology. "I was convinced partly because this fund was focused on agri and related sectors." Reddy put Sri Biotech's initial public offering on hold in response to gloomy market sentiment after he started discussions with Rabo. India Agribusiness Fund, with a corpus of $120 million (₹650 crore), has since invested in

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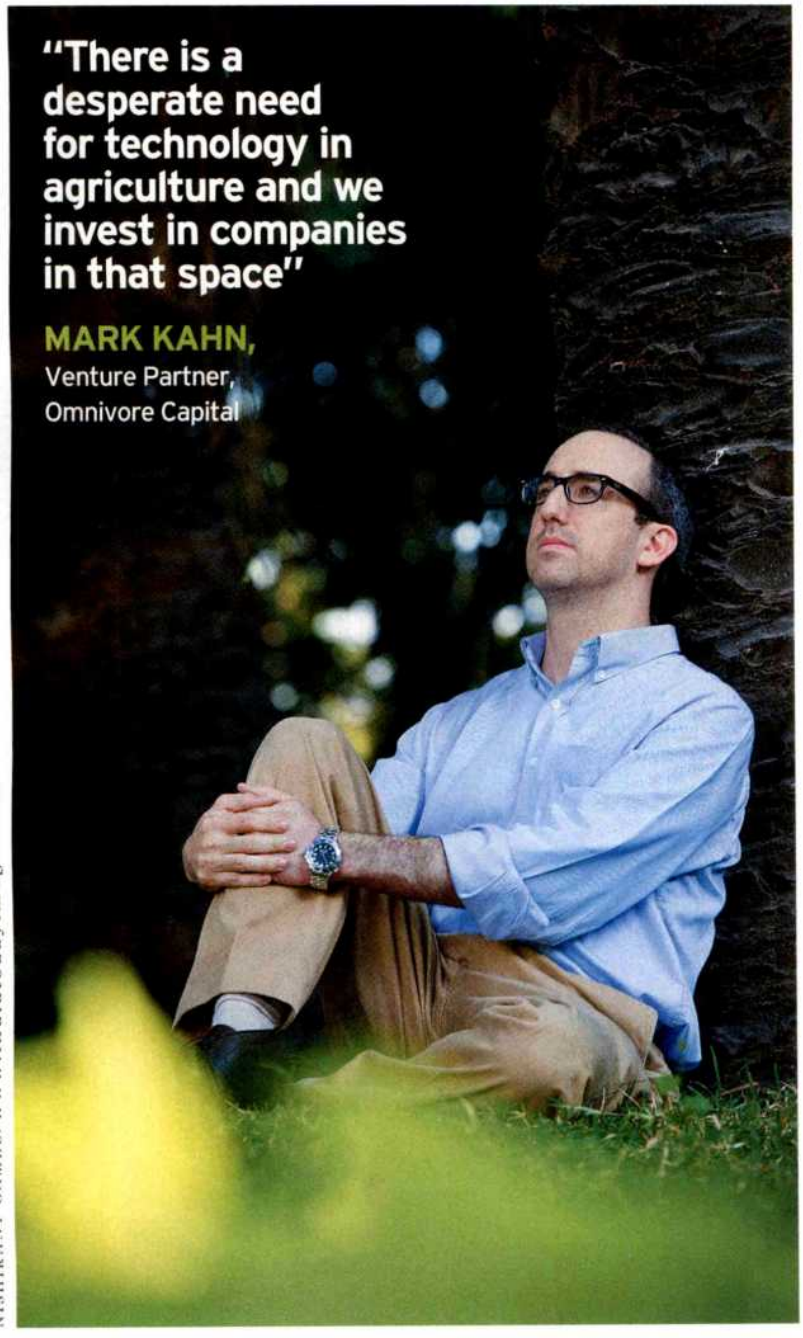

NISHIKANT GAMRE/www.indiatodayimages.com

eight other companies and exited one.

Some eight years ago, agribusiness was not on the radar of PE and venture capital (VC) funds. According to data from research firm Venture Intelligence, there was just one PE deal, valued at $7 million, in the sector in 2004, and no VC investment. PE funds, typically, fund growing companies and VC firms back businesses that are starting out. Cut to 2012: nine PE deals worth over $330 million and four VC deals worth $7.5 million. Although VC investments fell 11.8 per cent from 2011, overall VC deals in India declined at a higher rate – by a fourth. And PE deals in agribusiness quadrupled in 2012, while total PE investments in the country slid 13 per cent.

This surge in investor interest in recent years is despite the middling average annual growth – 3.34 per cent – in agriculture and allied sectors between 2007/08 and 2011/12. In the same period, the overall GDP growth was 7.86 per cent. However, investors in the sector do not base their decisions on this statistic.

Mark Kahn, Venture Partner at Omnivore Capital, a VC firm backed by Godrej Agrovet, says aggregate statistics for agriculture can be misleading, as some sub-sectors – agricultural inputs, for instance – have grown at a healthy pace. "There is a desperate need for technology in agriculture and we invest in companies in that space," he says.

Omnivore, whose fund size is ₹250 crore, invests up to ₹10 crore in a company in the first round. It has invested in Skymet Weather Services, a private weather forecaster, equipment maker Khedut Agro Engineering, and supply chain IT solutions provider FrontalRain Technologies. Among other things, FrontalRain allows procurers of agricultural produce under contract farming to aggregate information about their suppliers of seeds and other inputs. In contract farming, a buyer – usually a company – agrees to buy produce from a set of farmers at a predetermined price and, in some cases, may even provide the farmers the requisite inputs.

FrontalRain Managing Director Jayaram Srinivasan says supply chain solutions for agribusiness are highly specialised. "People were very sceptical, but we have been able to price our product at about ₹6 lakh a year while other similar products cost about ₹1 crore," says Srini-

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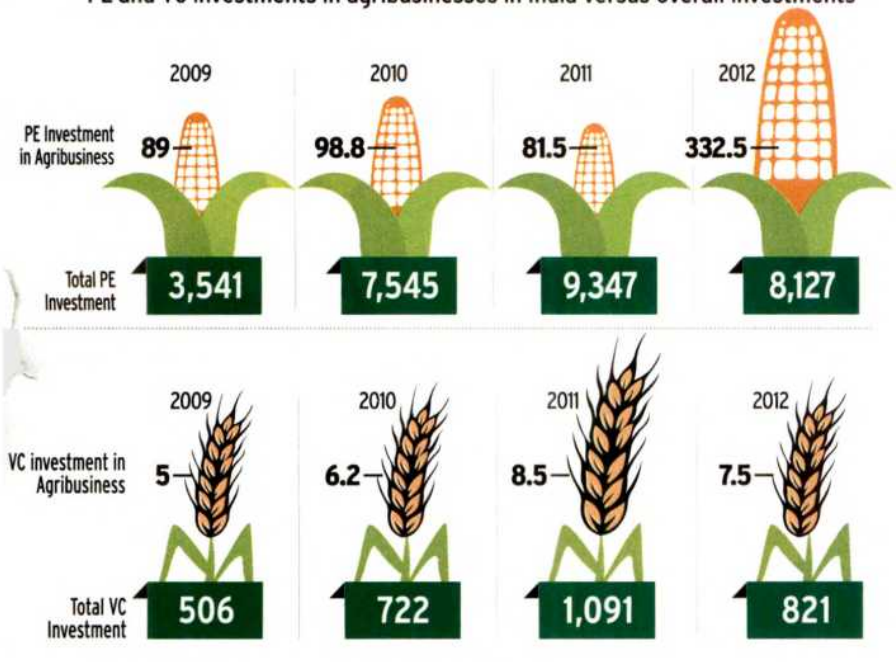
As They Have Sown

PE and VC investments in agribusinesses in India versus overall investments



All figures in $ million

Source: Venture Intelligence

vasan, who started Bangalore-based FrontalRain with his friends Ravi Mandayam and Sreeram P., in November 2010.

Alluding to India VCs' proclivity for e-commerce and mobile start-ups, Kahn says: "VC funds in India are clones of their American masters and fund what was popular in Silicon Valley two years back." If his firm is any indication, things are slowly changing.

It is not just agri-focused entities such as Rabo and Omnivore which are responsible for increasing interest in agribusiness. Even traditional PE firms such as Temasek and Blackstone have invested in companies like Godrej Agrovet and Nuziveedu Seeds. Temasek's $104-million investment in Agrovet was the biggest deal last year, followed by a $73-million one by Mount Kellett and the International Finance Corporation in Jain Irrigation Systems, the world's second largest drip irrigation systems maker after Israel's Netafim.

According to Anil Jain, Managing Director, Jain Irrigation, what is working for agribusiness, as well as for food and retail, is that it is driven by domestic factors, unlike many other sectors. "It is a sure bet for investors in terms of sustained growth and return on investment," he says.

V.K. Arora, Chairman and Managing Director of LT Foods, which makes Daawat brand basmati rice, concurs with Jain. "Agri-related segments like foods are more stable than other businesses," he says. LT Foods, listed in 2006, got its first PE investment in October 2009, when Rabo Equity pumped in $5 million. Two months later, Rabo invested another $5 million in a wholly owned subsidiary of the company. According to the Planning Commission's approach paper to the 12th Five-year Plan (2012-2017), nearly half the expenditure of an average household is on food and food products. "Pressure on food demand is likely to remain strong over the 12th Plan period, while consumption is likely to be more diversified," it notes.

Ernst & Young partner Devinder Chawla says the growth of organised retail and relaxed foreign direct investment (FDI) norms are driving investor interest in agriculture and food companies. India now allows up to 51 per cent FDI in multi-brand retail and 100 per cent in single-brand outlets. Organised retail has just eight per cent of India's $518 billion retail market, but that is expected to rise to 20 per cent by 2020. India also plans to accelerate the annual agricultural GDP growth rate to four per cent in the 12th Plan period.

These factors played a part in IDFC Private Equity's entry into agribusiness last year. It invested some ₹300 crore in StarAgri and Parag Milk Foods. Girish Nadkarni, Partner at IDFC Private Equity, says: "We decided to look at the entire agri value chain and the top 10 companies in each space."

Some agribusiness companies are highly specialised, but investors do emphasise scale. "While we look at improvement in income for small and marginal farmers, companies' ability to scale up is also important," says Siddharth Tata, Agriculture Portfolio Manager, Acumen Fund, which invests in social enterprises. It has invested $3 million in two agribusiness enterprises in India.

With PE and VC firms – both conventional and specialised – warming up to agribusiness, companies in the sector are well placed to realise their potential, and funding may not be a problem after all. ◆

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ANAND SINHA

Every 21st-Century Manager Needs

The world of work has changed dramatically over the past decade. Companies are more global and employee groups more diverse than ever before. Organisational structures are less hierarchical and more collaborative. And today's networked offices are full of technological distractions that would have been unimaginable to the 20th-century manager. We asked experts in cross-cultural communication, information networks, and the science of attention what specific skills executives should cultivate to tackle these new challenges. Here are their answers.

SKILL 1

Code Switching Between Cultures

To work well with foreign colleagues, you may have to risk feeling inauthentic and incompetent. By ANDREW L. MOLINSKY

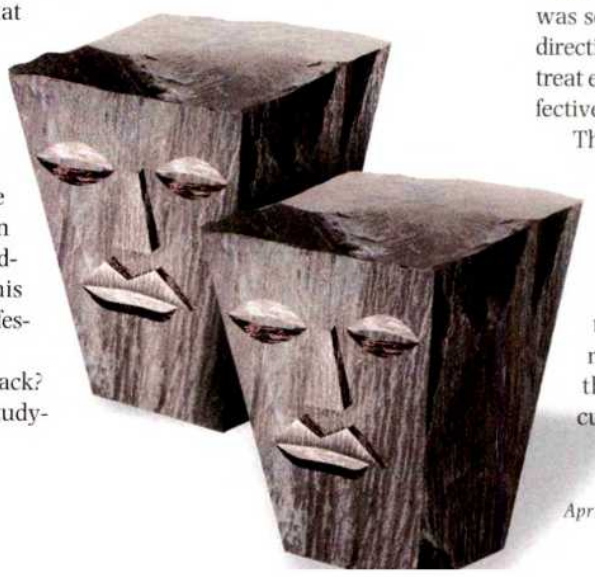
Marco, the Italian COO of a technology company in Mumbai, can't motivate his Indian employees. Anat, an Israeli management consultant working in the United States, struggles to give "American style" feedback. Seungwoo, the CEO of a Korean software firm with a new Shanghai office, has trouble retaining Chinese staffers. All three of these executives should be successful in their respective cross-cultural contexts. They all have what Mansour Javidan, of the Thunderbird School of Global Management, calls a "global mindset": They are seasoned managers who appreciate diversity and have international work experience. They also have specific cultural intelligence: Marco knows that Indian workers are accustomed to leaders who are more authoritarian than those in Italy; Anat knows that most Americans prefer criticism couched in kindness over the blunt feedback she might ordinarily give; and Seungwoo knows that Chinese bosses tend to be more paternalistic than Korean ones. These three leaders are motivated to use this knowledge; in fact, their professional success depends on it.

So what's holding them back? I've spent the past 10 years studying hundreds of savvy business professionals who were thrust into unfamiliar cultures or who work with foreign colleagues, and I believe that what Marco, Anat, and Seungwoo lack is a very specific skill I call "cultural code-switching" – the ability to modify behaviour in specific situations to accommodate varying cultural norms. Code-switching requires far more than the right mindset, information, and motivation. It requires a capacity to manage the psychological challenges that arise when someone tries to translate cultural knowledge into action.

Executives often feel inauthentic when their behaviour conflicts with their ingrained values and beliefs, and doubly uncomfortable when others assume that it is a true reflection of who they are. They may also feel incompetent – anxious and embarrassed about acting in a way so far outside their comfort zone. Deeper down, they may feel frustrated and angry that they had to make changes in the first place. After all, managers don't usually have to adapt their behaviour to the needs of their subordinates; most often it's the other way around. Together, these feelings can prevent executives from making a successful code switch, thus imperilling their careers and their companies' success.

The good news is that it's possible to overcome this problem. The first step is to diagnose the challenges you face. In Marco's case, a deep belief in empowering subordinates was preventing him from embracing the top-down, often harsh leadership style that his Mumbai team seemed to need in order to meet deadlines. Whenever progress was so poor that he had to yell out directives, he felt guilty ("I shouldn't treat employees this way!") and ineffective ("I sound ridiculous!").

The second step is to adapt your behaviour to reduce your distress. That means making small but meaningful adjustments that are both appropriate in the new setting and true to your own values. It may mean electing behaviour that blends elements of both cultures. Marco was able to find



a middle ground between his participative European management style and the more authoritarian kind expected in India. He could be significantly more hands-on and assertive without yelling. Anat was able to give feedback better tailored to an American audience while retaining some of her direct, demanding Israeli style.

The third step is to fully appreciate the value of code-switching. One way is to focus on how the desired outcome aligns with your personal goals and values, even if the behaviours themselves do not. Marco knew that adapting his style in India would help him become a more effective global manager, which was very important to him. Seungwoo was able to ease up on his Chinese employees when he reminded himself how important the Shanghai operation was to future growth.

Another way is to view your code-switching from the perspective of the other culture, rather than exclusively through your own lens. Once Marco came to see that his employees actually valued his new management style, it became far easier to practice. Similarly, when Anat learned to appreciate the reasons for giving American-style feedback – her colleagues were hurt and demotivated by criticism delivered without praise – she could more easily change her approach.

Being culturally fluent means being able to enter a new context, master the norms, and feel comfortable doing so. In situations where executives perceive a serious threat to their competence and identity, they often show a strong psychological resistance to appropriate behaviour. Learning to be effective at cultural code-switching is the key to becoming a truly global leader.

SKILL 2

Wielding Digital Influence

As companies become less hierarchical, the effective use of online networks will be crucial to success. By THOMAS H. DAVENPORT and BALA IYER

Dharmesh Shah, the founder and chief technology officer of HubSpot, a web marketing company, has an impressive online network: He runs a 216,000-member LinkedIn group for entrepreneurs, hosts a Q&A community for start-ups on Stack Overflow, and has more than 98,000 Twitter followers. But even more enviable than the size of Shah's network is how he uses it. During a recent hiring push at HubSpot, he tweeted about the company's need for talented engineers and quickly received referrals for hundreds of candidates, several of whom he hired. On another occasion, while wrestling with an error-prone programme for a new product, he asked his online followers for help. Within hours he received many suggestions, and one person provided instructions for debugging the programme.

Most managers today understand how to use online tools to build and expand their networks. It's easy to reach out to industry contacts and colleagues through LinkedIn and Facebook, to follow and be followed on Twitter, and to actively participate in corporate social media initiatives. Less well understood is how managers can use these networks to gather information and wield influence in an increasingly interconnected, collaborative, and less-hierarchical workplace. Shah provides a perfect case study, offering lessons that will help even executives outside the technology industry.

To build an effective online network, you need to focus, as Shah does, on three things: reputation, specialisation, and network position. As in the real world, reputation is currency – it's how you get people you've never met to seek you out, give you information, and collaborate with you. In the virtual world you build your reputation by offering interesting content, drawing attention to your web presence, and motivating others to circulate and act on your ideas. Reputation can be assessed using services such as Klout, Identified, PeerIndex, and Empire Avenue, which score you on the basis of how many people you influence, how much influence you wield, and how influential your contacts are. Shah has a Klout score of 80 (on a scale of 1 to 100).

He and other successful online operatives enhance their reputations and expand their networks by focusing on key areas of expertise. Shah's are technology and entrepreneurship – topics that are central to each of his web ventures. Yours might be sales or HR or nonprofit management. Take Barry MacQuarrie, an accountant who set up a community on LinkedIn with the goal of understanding how social media could be used in his profession. It now has 1,800 users, who advise MacQuarrie on that subject. And prospective clients have found him and his firm through the

group. Specialisation involves demonstrating deep knowledge, establishing links with other experts both inside and outside your organisation, committing to learn from them, and being willing to offer relevant information and referrals to others. Google+ and similar tools allow users to create "circles" or communities with shared interests; LinkedIn is fragmenting into specialist groups as well.

Although focus is important, the best online networkers also position themselves as bridges between otherwise unconnected groups. This can increase your influence, because it gives you a chance to identify potential collaborations or conflicts and to accumulate superior information. Shah, who graduated from the MIT Sloan Fellows Program, has access to MIT's student and alumni networks as well as his start-up network. He can act as a broker between student ventures and VCs or between start-ups and talent, and can even find his own angel investment opportunities. LinkedIn Maps and TouchGraph enable users to visually examine their networks for connections, clusters, density, and redundancy.

Good networkers use their contacts as a source of quick feedback on – and even solutions to – work challenges of all sorts. We know a manager at an IT company who took advantage of internal social-networking technology to crowdsource reviews of a contractor he was considering. He discovered that the man had done sloppy work on a few recent projects and so chose not to hire him. If your network is strong, you are connected to well-placed colleagues, suppliers, customers, and fellow executives in your field – a host of experts who can help you at a moment's notice.

Shah's debugging challenge is one example. Consider also Michelle Lavoie, an enterprise community manager at the IT services company EMC, who used her internal blog to tackle an even bigger problem: how to cut costs during the 2008 financial crisis. "Constructive Ideas to Save Money," her 430th post to the network, requested a moratorium on complaints about a controversial change in the vacation policy, offered five positive suggestions, and encouraged colleagues to contribute their own. A year and a half later the post had gotten more than 26,000 views and had generated 364 responses with cost-saving ideas, many of which were implemented. Lavoie gained visibility at every level of the company and ensured that getting EMC through the crisis was an all-hands initiative rather than a top-down edict.

You can also use your network to test proposals and strategies, inside and outside your organisation. Float an idea and see how many "likes" it gets. Or direct certain groups of people to an online survey. The feedback might help you persuade a reluctant boss or client to come around to your point of view. These methods of exploiting strong virtual networks are only the beginning. Newer techniques, such as engaging your online contacts in work "games" so that they happily take action in your or your company's behalf, are now coming to the fore.

Soon, we expect, organisations will begin to seek out employees with demonstrably strong online connections and a track record of wielding influence through them. The best networkers will become even more highly valued.

SKILL 3

Dividing Attention Deliberately

Instead of battling distraction, embrace your brain's proclivity for it. By CATHY DAVIDSON

Seven IBM employees, each in a different location, are on a conference call. As two of them talk over the telephone line, two others chat about the conversation via text messages; another accesses a spreadsheet, trying to answer a question posed earlier in the call; still another Googles a potential competitor; and the last taps out an e-mail to a colleague who is not on the call. Are these employees distracted by 21st-century technology? Or has 21st-century technology empowered them to pay attention in a new, perhaps more natural, creative, and productive way?

We all know the story of contemporary distractions. In the past decade the world has gone from a total of 12 billion e-mails a day to 247 billion, from 400,000 text messages to 4.5 billion, from an individual average of 2.7 hours a week online to 18 hours. We may still sit in offices or cubicles designed to shut out the external world, but the centre of our work life is a computer that keeps us connected to that world – to colleagues, customers, clients, family, community, entertainment, and hobbies; to everything we know we should be doing and everything we know we shouldn't.

Gloria Mark, a professor at the University of California, Irvine, has shown that modern workers switch tasks an average of once every three minutes. Once their focus on a given task has been interrupted, it takes an average of 25 minutes to return to it. Some say we should try to eliminate those distractions. But I think today's managers are capable of coping with and sometimes even thriving on them.

Mark's research also shows that 44 per cent of the switches cited above are caused by "internal" rather than "external" sources of distraction – meaning that our minds simply wander. We can't blame technology for our failure to focus, because our brains are built to multitask. Close your eyes

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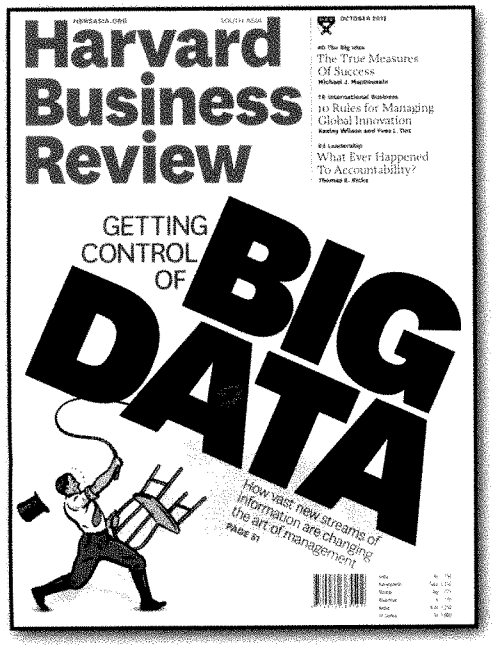

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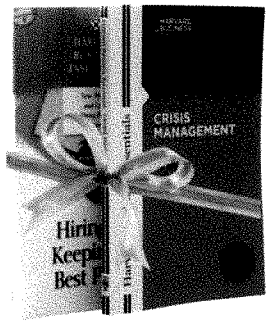

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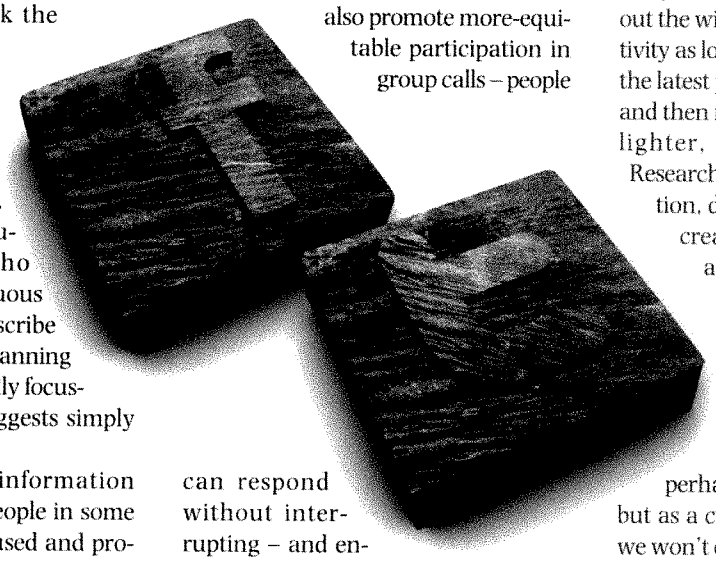
for five minutes and notice how your thoughts stray, jump, zigzag, and double back. Success in 20th-century factories and offices may have required paying strict attention to systematic tasks and taking those tasks to completion, but that is not a natural way for humans to operate. Perhaps our 21st-century connectedness gives us the freedom to acknowledge this.

Why should we make undivided attention an ideal and cling to it in an environment where it is so hard for us? Why not "unlearn" that skill, as the futurist Alvin Toffler puts it, in order to let our brains work the way they do naturally? In my research on attention, I've come across many tools that help managers eliminate distraction. A productivity application called Freedom lets you block the Internet for a specified period, and Concentrate is a service that makes available only those programmes you need for a specific task. The former Apple executive Linda Stone, who coined the term "continuous partial attention" to describe our habit of constantly scanning the horizon and never fully focusing on a given task, suggests simply turning technology off.



Such controls on information streams do help some people in some situations feel more focused and productive. But it's not clear that their feelings reflect reality. A study of 300 workers conducted at the University of Melbourne shows that although people who use the Internet at work for personal reasons assume it makes them less productive, it actually increases their productivity by nine per cent. That isn't true for Internet "addicts" who use social media to excess. But for those whose minds simply wander between work and play, a break to surf the web can provide a cognitive refresher that improves their performance when they return to the task at hand. This even has its own acronym: WILB, for "workplace Internet leisure browsing." Maybe managers will learn to embrace it as a positive distraction that relieves stress and boosts creativity.

Another productivity-enhancing strategy is to deliberately divide attention and harness it, just as those IBM employees did on their conference call. Charles Hamilton, an e-learning strategy leader at IBM, explains that his managers are more engaged in their virtual meetings because of the simultaneous text messaging (which they call "back chatting") that has become standard practice; in fact, when the feature isn't turned on, they start to worry that someone isn't being heard. By encouraging these multiple conversations, managers marshal wandering minds. They also promote more-equitable participation in group calls – people can respond without interrupting – and ensure that the entire conversation flows in an interactive and productive way. Attention is "distributed" more evenly and fluidly, rather than being dominated by one or two loquacious participants who leave everyone else disengaged and distracted.

At the individual level, a good example is the software developer Aza Raskin, formerly of Mozilla and now the CEO of the start-up Massive Health. Raskin knows he can't spend all day, every day focused on only the most important tasks. But he sets limits on his divided attention by using two computers at his workstation and another down the hall. The work he must accomplish is loaded on to the first, most prominent device, with no Internet connection. Off to the side is a machine that offers access to e-mail and the web. The third, a short walk away, is linked to Twitter and his blog, with a flashing reminder of the "real" work he needs to do back at his desk. His strategy is to make procrastination difficult but not impossible, because complete focus is beyond his reach – and not necessarily even desirable in today's workplace. Raskin's three computers help him programme interruption and mind-wandering into his day.

Not everyone has the same style or requirements for attention, so a good 21st-century manager needs to figure out how to let multimedia work to everyone's advantage. Gazing aimlessly out the window is as important to creativity as logging on to Facebook to view the latest photo of your young nephew and then returning to work in a better, lighter, more productive mood. Research shows that accident, disruption, distraction, and difference increase our motivation to learn and to solve problems, both individually and collectively. The key is to embrace and even create positive interruptions.

In the future, continuous partial attention will perhaps be seen not as a problem but as a critical new skill. And maybe we won't call it multitasking – we'll call it multi-inspiring. ◆

Andrew L. Molinsky *is an associate professor of organisational behaviour at Brandeis University's International Business School.* **Thomas H. Davenport** *is the President's Distinguished Professor of Information Technology and Management at Babson College.* **Bala Iyer** *is an associate professor of information technology management at Babson.* **Cathy Davidson** *is the John Hope Franklin Humanities Institute Professor of Interdisciplinary Studies at Duke University.* *This article was published in* HBR, *January-February 2012.* *Copyright©2012 Harvard Business School Publishing Corporation. All rights reserved.*

GREAT PROSPECTS
SHARE PRICES OF PRIVATE BANKS HAVE BEEN RISING LATELY AND ARE LIKELY TO CONTINUE DOING SO, AS NEW BANKS EMERGE AND CREDIT RATES EASE

The Big Bank Theory

Banks stocks are likely to grow in the coming year and provide good returns. By TANVI VARMA

SANTOSHI

The backbone of India's financial sector is getting its strength back. Banks, battling low credit demand and rising bad loans, have been given a few booster shots in the last three months.

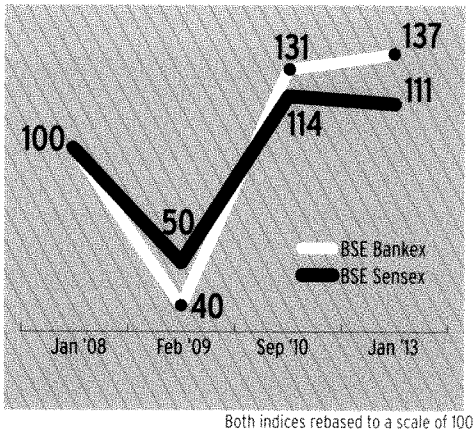
One, Parliament has finally cleared the Bill that will lead to the setting up of new banks. Two, on January 29, the Reserve Bank of (RBI), lowered the rate at which it lends to banks by 25 basis points (bps). To top it all, the government's efforts over the last few months to boost growth are likely to increase the demand for credit and improve banks' asset quality.

Not surprisingly, banking sector stocks, which had been doing better than the overall market for a while now, have really surged in the last few months (see *Well Ahead*).

The RBI is expected to speed up the process of issuing bank licences after the banking Bill becomes law, says Vaibhav Agrawal, Vice President, Research

WELL AHEAD

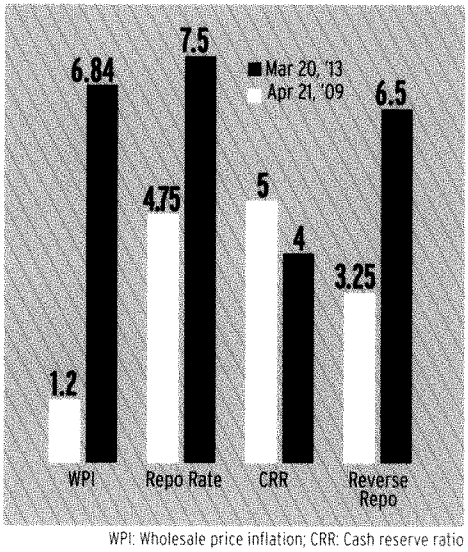
The banking sector index has been outperforming the Sensex since September 2010



Both indices rebased to a scale of 100

EASING UP

Though inflation has not been fully tamed, the RBI has begun lowering key interest rates to stimulate growth



WPI: Wholesale price inflation; CRR: Cash reserve ratio

Banking, Angel Broking.

Another trigger for the stock rally is a proposal in the Bill to increase voting rights from one per cent to 10 per cent in the case of public sector banks and from 10 per cent to 26 per cent in the case of private banks. This has improved investor sentiment, says Saday Sinha, banking analyst, Kotak Securities.

Vinay Khattar, Head of Research, Edelweiss Financial Services, agrees. "This will benefit private sector banks such as Kotak Mahindra Bank, YES Bank and ING Vysya Bank where promoter holding is more than 10 per cent," he says.

New Banks

Experts say the entry of new banks is likely to attract foreign funds into the sector. "Apart from bringing tougher competition, new banks will increase the acquisition prospects of the older private banks," says Agrawal. The prospect of acquisition is, in fact, the main reason for the recent rise in shares of these banks.

"In this space, South Indian Bank looks attractive, as it is trading at a reasonable valuation compared with other older private sector banks and has decent fundamentals," he says. "Stocks of other older banks that one can consider for gaining from a possible acquisition are Federal Bank and Karur Vysya Bank," says Agrawal.

However, Rajat Rajgarhia, Director, Research, Motilal Oswal Financial Services, feels this will not happen in a hurry. It will be a time-consuming process and taking another 12 to 15 months.

Edelweiss' Khattar says the worst is over on the macroeconomic front, and with the RBI cutting interest rates, economic growth will in all likelihood pick up shortly. After keeping the repo rate unchanged since April 2012, the RBI, in its third quarter review of the monetary policy, slashed it by 25 bps to 7.75 per cent. In the last quarter review in March, it was further reduced to 7.50 per cent. So too, in the third quarter review, the cash reserve ratio, or the percentage of their funds banks have to keep with them, was lowered to four per cent. The last quarter review left it unchanged (see *Easing Up*).

All this suggests the RBI has been shifting focus from controlling inflation to supporting growth. Agrawal says that in the near term, lower commodity prices are also expected to bring down inflation, opening the window for further cuts in the repo rate.

Lower interest rates are good news for banks as they aid credit growth and improve asset quality. "Over the next financial year we could see rate cuts up to 150 bps," says Khattar.

As stocks, Angel's Agrawal prefers private sector banks to state owned ones, given their strong capital base, growth prospects and asset quality. Private sector banks are expected to post a strong 22.5 per cent growth in net interest income while public sector banks are expected to lag with 4.5 per cent growth.

Banks in general are expected to improve margins due to better credit offtake and reduction in term deposit rates. Their cost of funds is also likely to drop, considering that short-term borrowing rates have already begun falling.

Experts say valuations of public sector banks offered a lot of bottom-fishing opportunities three to four months ago. "After the recent surge in several of these stocks,

further upsides would have to be driven by catalysts such as lower pricing of high-cost deposits and higher recoveries," says Agrawal. Another important factor is Tier-I capital, considering the near-term capital raising plans of many of these banks. So, government banks with adequate Tier-I capital can also be a good investment option.

In 2011/12, the asset quality of banks was severely impaired, as seen by the steep increase in non-performing assets (NPAs), particularly of the government owned banks, owing to their significant exposure to troubled sectors such as power, aviation, real estate and telecom (see *Private Advantage*). According to Dun & Bradstreet, in 2011/12, net bank NPAs grew 55.6 per cent while there was a 58 per cent rise in restructured assets.

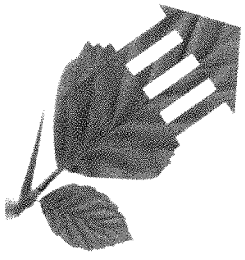
Another reason analysts prefer private sector banks is that they have better asset quality because of their lower exposure to small and medium enterprises. Plus, retail business is a big part of their portfolios. "For instance, ICICI Bank's 35 per cent book is retail, which is witnessing good asset quality, while exposure to SMEs is less than five per cent," says Sinha of Kotak.

Agrawal prefers Axis Bank, ICICI Bank and YES Bank because of their capital adequacy and branch expansion plans to gain a higher share of the loan market and increase their low-cost deposits. The loan growth for public sector banks for 2012/13 and 2013/14 is expected to be 14 to 16 per cent, and for large private sector banks in the range of 18 to 24 per cent. At the same time, private sector banks have decent asset quality and have been trading at reasonable valuations. This, despite the fact that any reduction in interest rates will increase the value of public sector banks' huge bond holdings. Bond prices invariably rise when interest rates fall. Sinha of Kotak Securities is cautious on government banks due to their poor asset quality and large restructured assets, which will require provisioning.

Among government banks, Sinha recommends Bank of Baroda and SBI, but only on correction. Although SBI's asset quality has stabilised, net interest margins have fallen from four to 3.5 per cent. "So, even though loan growth has picked up, margins are down, which will impact net interest income," he says.

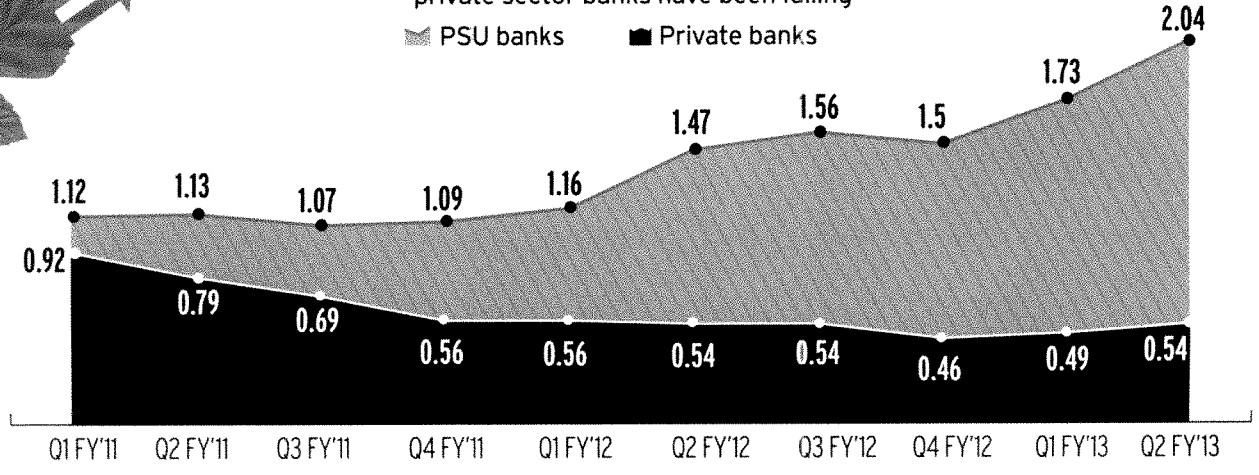
Of course, nothing is entirely certain. It is possible interest rates may not fall as expected. The RBI has already warned that scope for further easing is limited. Notably, the central bank expects headline inflation to remain around the current levels in 2013 due to the recent increase in diesel prices and rising input costs for industry. However, the government's projections suggest that headline inflation may decline by around one per cent in the period. Further, despite a 175 bps cut in the CRR and the cuts in the repo rate in the last 12 months, banks have cut lending rates by only 25 to 40 bps. ◆

Courtesy: *Money Today*



PRIVATE ADVANTAGE

Non-performing assets of state-owned banks have been rising while those of private sector banks have been falling



NPA figures are percentages of total loans disbursed

Source: Angel Broking

Crop Care Federation of India

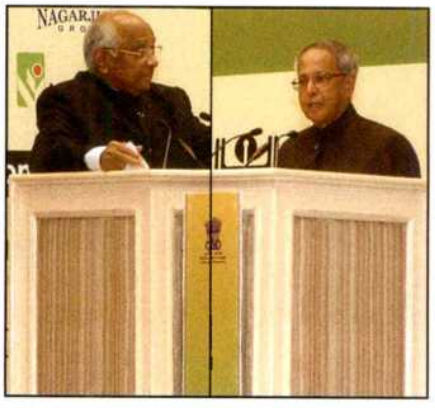
Crop Care Federation of India had organized a National Conference on DOUBLING FOOD PRODUCTION IN FIVE YEARS On 1st Feb, 2013 at Vigyan Bhavan New Delhi.

A three days' National Conference on "Doubling Food Production in Five Years" was organized by the Crop Care Federation of India (CCFI) in association with the Ministry of Agriculture and joined by (supported by) Crop Life India, PMFAI, ABLE AG, National Seeds Association.

President of India Hon'ble Shri Pranab Mukherjee inaugurated the conference on 1st February at Vigyan Bhawan, New Delhi.

The inauguration ceremony was graced with the attendance of Shri Sharad Pawar the Union Agriculture Minister; Shri Harish Rawat, Union Minister of Water Resources; Shri Srikant Jena, Minister of State, Ministry of Chemicals and Fertilizers; Dr. S Ayyapan, DG, ICAR; Mr. Nadir Godrej, Chairman of Godrej Agrovet Ltd; Mr. Raju Barwale, MD, Mahyco. Mr. Rajju Shroff, Chairman of CCFI welcomed everyone including scientists, bureaucrats, corporates engaged in agricultural business, agriculture students, agriculture experts from across the globe and large number of farmers.

The President of India, Shri Pranab Mukherjee in his inaugural address in the conference said, "In the context of pursuing inclusivity in economic growth, it is of primary essence to achieve the inter-dependent objectives of poverty alleviation, mitigation of food inadequacy, creation of rural employment and growth in rural incomes. Substantial expansion in the country's food production will greatly facilitate in meeting these objectives.



The subject matter of this Conference is therefore apt and I applaud the efforts of the organizers to bring an issue of topical importance to the forefront of national policy discourse. A country's development is dependent on the productivity of its people."

The President also emphasized on doubling the food production to meet the rising demand and called for ushering of second Green Revolution.

The Union Agriculture Minister, Shri Sharad Pawar while addressing the Conference said, "I am of the firm opinion that we must adopt the modern scientific solutions which are based on sound and proven practices. We also cannot afford to curtail the vigor of our scientific community if they are conducting research with all the precautions."

He further said that farm output could only be increased through raising crop yields of the existing cultivable area. **Shri Sharad Pawar also stated that Govt should not get carried away by anti - GM views.**

On top of that he said as much as 30% of production is lost due to pest and diseases, which is unacceptable by any standard. He said that "I congratulate CCFI for bringing up the issue to the forefront.

Speaking on the occasion Minister for Water Resources, Shri Harish Rawat and Minister for State for Chemicals & Fertilizers, Shri Srikant Jena suggested that farm productivity could be raised through time bound government programmes in the fields of irrigation, soil, health management, better seeds, use of farm machinery and balanced fertilizers. They emphasized on creating infrastructure such as storage units, cold chain, and marketing facilities.

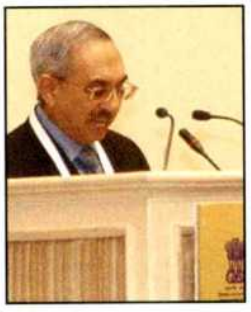
Mr. Rajju Shroff, Chairman of CCFI during his welcome speech said, "Only with proper care to agriculture, India can achieve its target economic growth and social change. The country recorded bumper harvest backed by Farm Extension Work in private/public partnership. This helped food grain production of 245 million tonnes."

Mr. Shroff mentioned that many experts who have studied Indian Agriculture potentials have mentioned that India could become the Food Basket to the world.

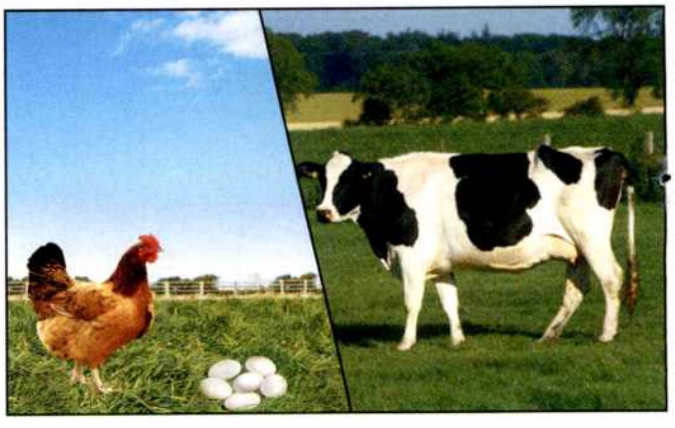
The biggest problem faced by India today is from Environmentalists. They have little respect for science. He sometimes wondered if they wanted to keep India poor and starving.

Mr. Ashish Bahuguna, Secretary, Agriculture Ministry visiting the exhibition

The exhibition by the industries was organized at India Habitat Centre. It was inaugurated by Mr. Ashish Bahuguna, Secretary, Ministry of Agriculture.



Mr. Nadir Godrej – Chairman of Godrej Agrovet, gave his speech in a form of poem, that enchanted the audience at Vigyan Bhavan. His speech emphasized on the importance of poultry in agricultural production. President Shri Pranab Mukherjee could not resist and shook hands with Mr. Godrej after the speech.



Mr. Sharad Pawar mentioned that Mr. Godrej's poetic speech was a unique way to promote poultry, dairy and egg industry along with other allied industries.

Dr. Ashok Gulati
Chairman,
CACP

Shri. Suresh Prabhu
Ex-Member of Parliament

Dr. Swapan Datta
Deputy Director General,
ICAR

Dr. R. B. Singh
Former ADG,
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Dr. T. P. Rajendran
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Secretary General
CIFA

Dr. Damares De Castro Monte
Director
EMBRAPA, Brasil

Large number of leading policy makers, Agri-Scientists and other leaders from all over the world addressed the conference.

Valedictory function

Smt. Sushma Swaraj, MP and the Leader of Opposition, Lok Sabha was the chief guest for the the valedictory function held at India Habitat Centre Delhi. Smt. Swaraj said, "Whoever listens about the target of doubling the food production of India in five years, in the first impression it looks unachievable but I thank the organisers specially Shri Rajju Shroff for dreaming about this target and I am confident that this target can be achieved through proper and dedicated planning and action."

Smt. Swaraj further clearly laid out the required agenda for doubling food production in less than five years with explicit examples where it has been more than achieved in NDA ruled states over the last 5 years. She mentioned that she will now be leader of proposition as all the members of Parliament will support her proposition.

The Outcome of the Conference...

The industry along with various experts in the Agriculture Sector came to a conclusion that there is an immediate need to focus on several policy issues to achieve the target of Doubling Food Production of India in Five Years.

Under the Chairmanship of Mr. Suresh Prabhu, Dr. C.D. Mayee and Dr. R.B. Singh industry leaders and farmer leaders will meet regularly and monitor the progress.

PRO-AM OF CHAMPIONS 2013

WORKING HARD, HITTING HARDER

Corporate honchos and professional golfers swung in style to bring the 2013 edition of the *BT* Pro-Am of Champions to a close. By DEARTON THOMAS HECTOR

SHEKHAR YADAV

Women professional golfers with **Aroon Purie** (top row, seventh from left), Editor-in-Chief, India Today Group, **Rahul Gaur** (top row, eighth from left), CMD, BRYS Group, and **Navneet Bhadla** (top row, sixth from right), Director, BRYS Group

The 18th edition of the *Business Today* Pro-Am of Champions 2013 witnessed a nail-biting finish at the Classic Golf Resort in Manesar, Gurgaon, on March 10. The two-day event, held on the 300-acre course at the foothills of the Aravallis near Delhi, was sponsored by BRYS Group, a leading real estate company of Delhi and National Capital Region.

It was second-time lucky for India's Neha Tripathi, who edged past Thailand's Pennapa Pulsawath to win the event. With both players tied at a score of 141 after the second round, the match went to a play-off and Tripathi, who had lost the event in a play-off last year, came out on top this time in the second play-off on the 18th hole. Tripathi's compatriot Smriti Mehra, popularly known as 'Simi', was the second runner-up.

Among the individual (amateur) winners were Rohit Jhawar of Usha Fabcasts, who won in the 0-10 handicap category with a score of 43; former cricketer Nikhil Chopra, who topped the 11-18 category handicap with a score of 42; and Satish Rao, who led the points table in the 19-24 group with a score of 38.

About 150-odd amateur golfers, including corporate honchos, entrepreneurs and bureaucrats, participated, teaming up with 20 top women professional golfers from India and other Asian countries for the third consecutive year. Each four-member team had a professional and three corporate enthusiasts. The team comprising Chopra, Vivian Peres, Vikas Anand and Ankita Tiwana emerged victorious with a score of 109.

SHEKHAR YADAV

Aroon Purie with **Neha Tripathi**, winner of *BT* Pro-Am of Champions 2013

SHEKHAR YADAV

(From left) The winning team of **Nikhil Chopra**, **Ankita Tiwana** (pro) and **Vivian Peres** with **Rahul Gaur**

Some corporate leaders had even flown in especially for the event, including Mumbai-based Ravikanth Konteti, Managing Director, JPMorgan Chase India, and Vijay Chauhan, Chairman and MD, Parle Products. Konteti acknowledged that apart from the joy of playing the game, such tournaments also provided a good opportunity for networking. Prateek Dabral, Vice President (Business Development), BAE Systems, agreed. "The unique thing about the event is the kind of people who participate. I like playing golf with exciting people not only from business point of view but also to develop social relations."

Kabir Advani, MD, Berco's, a chain of Chinese restaurants, even found striking similarities between golf and life. "Golf, like life, is a great leveller. It brings out your true self. Also, golf lets you spend some time with yourself and help un-

1. **Soon Won Kwon,** CFO, LG Electronics India

2. **Puneet Chaddha,** CEO, HSBC Asset Management

3. **Jayashankar Jayaraman,** MD, Accenture India

4. **Ravikanth Konteti,** MD, JPMorgan Chase India

5. **Tiranan Yoopan,** Thai professional golfer

6. **Ashok Jha,** Chairman, MCX-SX

7. **B. Hariharan,** VP, Sales & Marketing, ITC Ltd Hotels Division

derstand your own strengths and weaknesses."

Rao, the US-returned MD, Kohinoor Speciality Foods India, said playing golf has influenced his managerial skills. "There are various similarities between playing golf and running a corporation. While playing golf, you increase the morale of your teammates and with every game, you increase the benchmark. The additional benefit of playing golf is that you end up walking a couple of miles each time you play, which helps you stay fit."

A few players said they were not satisfied with their performances in the tournament. Ashok Jha, Chairman, MCX-SX, said he could have played better. "I resumed playing golf in December after a break of over two years." Arjun Nohwar, who works with Tata Administrative Services, said that even though he did not play well on a few holes, he was able to make up for it on other holes. "That is the beauty of this game." At 30, Nohwar was one of the youngest amateur golfers on the course.

The event culminated in a glitzy awards ceremony at New Delhi's ITC Maurya hotel. Aroon Purie, Editor-in-Chief, India Today Group, gave away the prizes to Tripathi, Pulsawath and Simi. Tripathi, who admitted to being nervous during the play-off, thanked *BT* for its support. "I am really ecstatic. In India, there is a large pool of young golfers who will

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8. A. Didar Singh, Secretary General, FICCI

9. Rekha Purie (right), Chairperson, Vasant Valley School, with **Satish Rao,** MD, Kohinoor Speciality Foods India, and individual winner (handicap category 19-24)

10. Corporate executives (amateurs) pose along with **women professional golfers**

turn pros in the next three to five years and that will be an exciting time for Indian golf."

While Rekha Purie, Chairperson, Vasant Valley School, gave away the prizes to the individual (amateur) winners, Ashish Bagga, CEO, India Today Group, distributed the prizes for the longest drives on both the days.

Earlier, Anil Mehra, MD, India Today Group, welcomed the gathering. "*BT* created history when it introduced the *BT* Pro-Am in 1996," he said.

Rahul Gaur, Chairman and MD, BRYS Group, the event's principal sponsor, gave away the awards to the winning team, one of whose members, Chopra, said golf had generated tremendous interest in India in the past three years. "Every year, the number of people playing golf is increasing. If you go to any golf academy, you see four and five-year-old kids taking golf training."

All the sponsors were thanked in the vote of thanks, including ITC Hotels, the associate sponsor and Constance Hotels and Resorts, the international destination partner. Air Mauritius was the international airline partner. Other sponsors of the event, which was also supported by the Women's Golf Association of India, included NEO Sports (TV partner), TGS (equipment partner), Cotstyle (apparel partner), and *Golf Digest* (official magazine). ◆

LAST BUT NOT LEAST

BOOKS 119 CAREERS 120 PEOPLEBUSINESS 128

Life After Pai

Two years after the death of its founder Anant Pai, Amar Chitra Katha wants to become a multi-media powerhouse. By DEARTON THOMAS HECTOR

NISHIKANT GAMRE

SUCH A LONG JOURNEY

Amar Chitra Katha is an Indian publishing phenomenon. And in recent years it has branched out

1967

Anant Pai, backed by India Book House, launches Amar Chitra Katha

1980

Launches *Tinkle* magazine

2007

A new company, ACK Pvt Ltd, acquires Amar Chitra Katha and *Tinkle*

2008

ACK buys more companies and brings them under one umbrella brand, ACK Media

2010

Launches a new title after six years, *Mother Teresa*. PE firm Elephant Capital picks up stake in ACK

In August 1994, a major fire broke out in the Mumbai office of India Book House (IBH), the publishing company which those days produced the *Amar Chitra Katha* (ACK) series of comic books and the monthly children's magazine, *Tinkle*. Though no lives were lost, it was a devastating blow – around 3,000 reference books, three files full of scripts of forthcoming comics and 200 pages of artwork related to them were destroyed. "It still gives me nightmares. But we were at work the very next day and the next issue of *Tinkle* came out on schedule," says Reena Puri, the present Editor of the series.

The response reflects the resilience of the team that has been producing the iconic comic series, whose 400-odd titles introduced generations of Indian children to their own mythology and history. "ACK is one of those rare brands which have continuously succeeded, not by publicity but by word of mouth from satisfied consumers," says Vijay Sampath, CEO of ACK Media, which now owns the series. Since it began in 1967, ACK comic books have sold over 100 million copies in 20 languages. But it has also had its upheavals and difficulties, the 1994 fire being only one of them. At one stage in the 2000s, it did not come out with a single new title for six years.

The last such upheaval was in March 2011, when the founder-editor of the series, the legendary Anant 'Uncle' Pai, died of a heart attack. Other tremors in recent times include a change of ownership in 2007, when ACK Pvt Ltd – later known as ACK Media – an unknown company formed by two youngsters, Samir Patil and Shripal Morakhia, not only bought both the comic series and *Tinkle* magazine from IBH, but also in 2010, acquired the venerable IBH itself, and made it ACK's distribution arm. A year later, however, Kishore Biyani's Future Ventures began acquiring shares in ACK Media, and ultimately gained a majority stake, which led to both Patil and Morakhia exiting in 2012, and Sampath, appointed by Biyani, taking hands-on charge.

But far from floundering after all these changes, both the company and the ACK series have grown bigger. Since Pai's death, ACK has forayed onto new platforms, and expects to do even better in future. "Continued investment in branding and marketing has helped ACK retain its leadership and also build its mindshare in new segments," adds Sampath. No doubt, the move is also partly dictated by the times. "Comics in general are not sell-

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ing the way they used to in their heyday," says Ashesh Jani, partner at Deloitte Haskins & Sells.

One of the new platforms is cinema. ACK Media's first filmmaking venture was the animated film *Tripura*, released on television a few months after Pai's death. In November 2012, it came out with a 3D animation feature *Sons of Ram*, based on the popular story of Luv and Kush, directed by Kushal Raja and released in theatres. A number of other productions, both animated films and live action ones, are at various stages, and will be released from 2014 onwards. "The focus is on family entertainment and the content extends the positive story-telling values of the ACK's brands," says Sampath.

A second new platform will be the digital one – ACK Media will launch its proprietary app on the Apple, Android and Windows 8 platforms later this year to make the comic series available for the first time on tablets and smartphones. It has set up a digital media studio in Bangalore with the latest technology. "At the core is a content convergence strategy where all content will be created for multi-format publishing," Sampath adds.

What are the prospects for these new platforms? The box office returns of *Sons of Ram* have been modest, though the film will get a second lease of life after it premieres on television, on the Cartoon Network channel, in April. The online arena too is not exactly easy pickings. "Entering the digital space needs a lot of investment. It should translate into revenues as well," says Smita Jha, Leader, Entertainment and Media practice at PwC India. "There should be enough customers for the products."

But print is also getting its share of fresh attention. Moving away from the hoary past, ACK has launched its first series of contemporary classics for children, starting with a collection of short stories by Ruskin Bond. Senior officials also maintain that publishing in languages other than English will get special attention. A *Tinkle Special Digest* in Hindi, incorporating the best comic strips the magazine has published since it began in 1980, was brought out recently. "The aim is to rapidly expand this catalogue to offer the best reading experience for millions of Hindi readers," says Sampath. The company also tied up with global travel magazine *National Geographic Traveller* last July to publish an Indian edition. In March this year, it launched a new line of books to make learning easier for children in the two to six years of age range, called the 'Bright Start' series.

"Pai's death was a big loss," says Jatin Varma, the man who began the 'Comic Con' three years ago, akin to a book fair, at which comic book publishers exhibit their products. 'Comic Cons' have been held in Delhi, Bangalore and Mumbai. "His shoes are tough to fill. But his legacy will guide ACK, I hope." ◆

(March–October) Future Ventures starts acquiring stake and becomes majority stakeholder in ACK Media

2011

ACK's first full length animation film *Tripura* premieres on Cartoon Network Channel

ACK gets rights to publish US-based National Geographic Society's magazines in India. *National Geographic Traveller India* is launched in July

ACK starts reprinting contemporary classics for children with a collection of Ruskin Bond stories

2012

In November, ACK releases its first film in a theatre and that too in 3D – *Sons of Ram*

2013

ACK releases *Tinkle Special Digest* in Hindi, more such in the offing

Start producing books under 'Bright Start' label for 2-6 year olds

100 mn
No. of ACK titles sold since the comic series began

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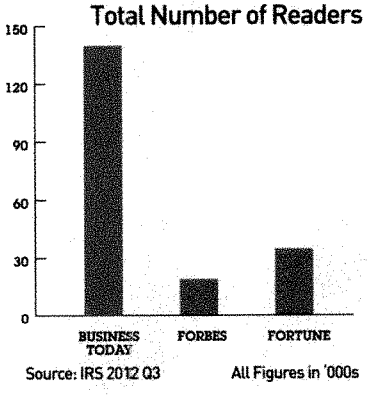

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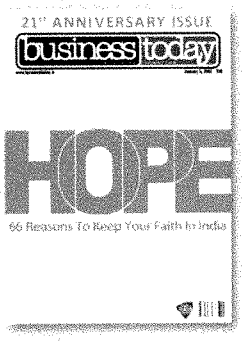

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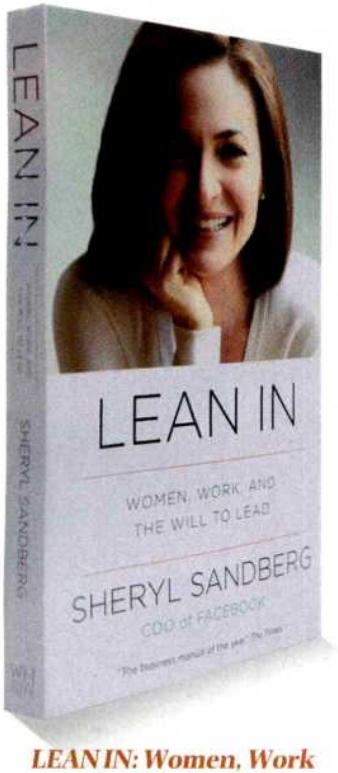
A 21st century from-the-heart manifesto by Facebook's Chief Operating Officer



LEAN IN: Women, Work and the Will to Lead
By Sheryl Sandberg
Random House
Pages: 232

This book can be summed up as the working women's guide to navigating the workplace. It will help her sprint through the middle part of the marathon that is every professional career – the part which, for women, is usually the hardest – and reach the finishing line that women often give up on even before they start running.

Sheryl Sandberg, 43, Chief Operating Officer, Facebook, recounts her own experiences and dilemmas with great honesty, making it easy for women across cultures and geographies to identify with her. She spells out much that is well known about the problems working women face, but rarely articulated. "The fault, dear Brutus, is not in our stars, but in ourselves that we are underlings," wrote Shakespeare in *Julius Caesar*. So too Sandberg points to several patterns of thought and behaviour in women themselves which prove major obstacles in their journey towards assuming professional leadership.

The chapter headings are particularly compelling, each one a clear pointer to the nature of the contents: *Sit at the Table, It's a Jungle Gym, Not a Ladder, Don't Leave Before You Leave, The Myth of Doing It All*. And as she describes personal experiences, she also reveals what she learnt from each of them. Sample one such learning: "We hold ourselves back in ways both big and small, by lacking self-confidence, by not raising our hands, and by pulling back when we should be leaning in. We internalise the negative messages we get throughout our lives."

The Myth of Doing It All is particularly relevant for working women, since Sandberg effectively demonstrates that such an ambition goes against basic laws of economics and indeed, common sense. Those who strive to do it all are doomed to disappointment. She admits she has instead embraced the motto 'Done is better than perfect' and let go of unattainable standards.

Sandberg confesses to breaking into tears not once but several times in front of her boss, as well as to feeling like a 'fraud' whenever any achievement of hers was appreciated. (She adds she has worked hard to overcome the second trait.) She discusses at length why many accomplished women baulk at taking a seat at the conference table during office meetings and instead find a corner to sit in, even when the meetings require their participation as much as that of the men who take prominent positions all around the table.

How did one of the most successful professional women in the corporate world overcome her self-deriding thought patterns and self-effacing behaviour? Some of Sandberg's suggestions towards doing so are unconventional indeed. She says, for instance, that it is okay to let the tears flow at the workplace. "Maybe someday shedding tears in the workplace will no longer be viewed as embarrassing or weak, but as a simple display of authentic emotion," she writes. "And maybe the compassion and sensitivity that have historically held some women back will make them more natural leaders in the future."

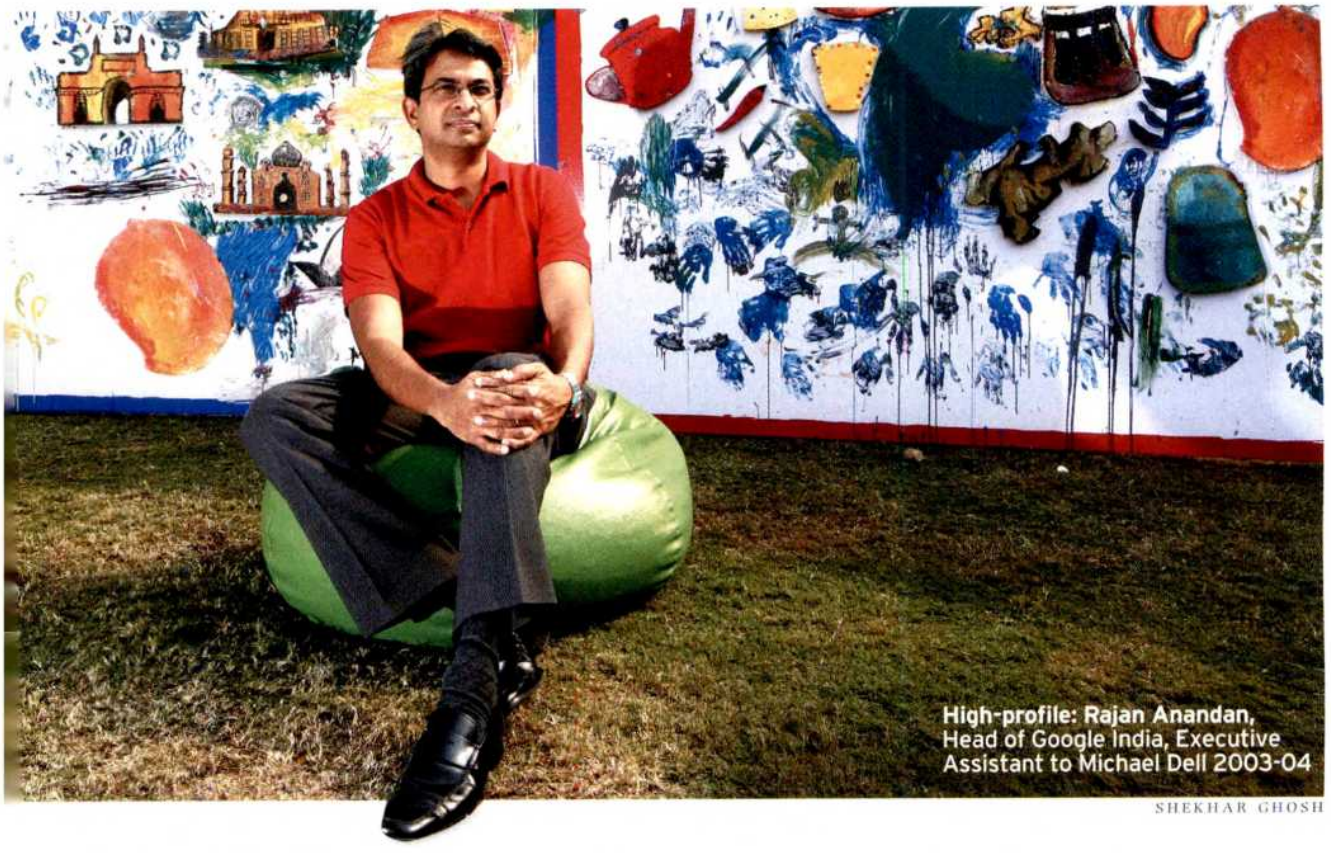
Above all, in every word she writes, Sandberg's authenticity shines through. ◆

SHWETA PUNJ

The book points to several patterns of thought and behaviour in women themselves which prove major obstacles in their journey towards assuming professional leadership

Shadow Leaders

The job of 'executive assistant' has a lot more potential than the title suggests. By MANASI MITHEL



High-profile: Rajan Anandan, Head of Google India, Executive Assistant to Michael Dell 2003-04

SHEKHAR GHOSH

IMPRESSIVE ROSTER

SOME FORMER EXECUTIVE ASSISTANTS WHO HAVE RISEN TO THE TOP

Natarajan Chandrasekaran, CEO and Managing Director, Tata Consultancy Services was...

...EXEC ASSIST (EA) TO **S. RAMADORAI** when he was CEO, Tata Consultancy Services

To most people, an executive assistant to a CEO is a person who sends e-mail and fixes appointments. But when Debashish Vanikar began working as executive assistant to the Aditya Birla Group Chairman, Kumar Mangalam Birla, about 10 years ago, he certainly wasn't sharpening pencils or making hotel bookings.

Vanikar had a high-profile management job which involved planning long-term business strategies and representing Birla at key business meetings. "I was handling textiles, chemicals, cement, BPO and retail," says Vanikar, then a 32-year-old management graduate from Berkeley with four years of experience in sales and marketing. "I represented Kumar Mangalam Birla at business and capital expenditure reviews, and handled key projects." Today, Vanikar is the Vice-President of Marketing at Ultratech Cement, an Aditya Birla Group company.

The title 'executive assistant to the CEO's office' is often mistaken for an executive secretary's job, but it is far from being a simple administrative job. An executive assistant is often the eyes and ears of the CEO. He has a job that involves everything from overseeing key projects such as mergers and acquisitions to understanding new businesses for investment. Most importantly, being an executive assistant to a top boss is often a stepping stone to bigger things. "An EA might at times have to make decisions on behalf of the chairman,"

says Preety Kumar, founding partner at Amrop India, an executive search company. "The people I interview for this job are hungry to walk the corridors of power. It's the impact you can have on decision-making along with the big names you can work with which attract most."

Traditionally, an executive assistant required at least 15 years of work experience and was picked from within a company. But in recent years, CEOs, chairmen and vice-chairmen have started giving the job to young marketing and finance MBAs with just a few years of experience. Some CEOs even appoint fresh campus hires as executive assistants. "There is no longer any confusion about the distinction between an executive assistant and an executive secretary," says James Agrawal, Managing Director of BTI Consultants India, an executive search firm.

The exact designation can be either Executive Assistant to the Chairman or General Manager of the Vice Chairman's Office, but it is always a high-profile job. Not surprisingly, many management graduates want to start their careers as executive assistants to CEOs. In March, two students from the Indian Institute of Management-Bangalore's graduating batch were hired as executive assistants in a strategic group in Reliance Industries Chairman Mukesh Ambani's office. Nearly 170 students applied for the role.

Last year, BTI Consultants India placed two graduates as executive assistants to the group managing director of a chemical manufacturing company and the chief operating officer of a lighting company. They got annual packages of ₹45 to ₹50 lakh. "We have started getting enquiries from students graduating from management schools looking to take on such functions. Students want to work in close proximity to a company's top leadership," says Agrawal.

They have several role models both in India and globally. Some former executive assistants to big names in Indian industry who have risen high include Rajiv Dube, Director of Group Corporate Services at Aditya Birla Management Corporation, who was once executive assistant to Ratan Tata when he was Tata Group Chairman, and Natarajan Chandrasekaran, CEO and Managing Director of Tata Consultancy Services (TCS), who was executive assistant to Subramanian Ramadorai when he was CEO of TCS.

One of the most high-profile examples is Rajan Anandan, Head of Google India, who was executive assistant to Dell Inc CEO Michael Dell in 2003. He was in the job for a year before he became the head of a Dell global office. "As vice-president and executive assistant I was working on strategic issues for the long-term growth of the company," he says.

An executive assistant can also play a key role in human resources. Sandeep Gandhi, Aircel's Head of Human Resources, had two executive assistants whose responsibilities included overseeing management information systems and providing analytical inputs. "My current EA has 33 per cent administrative responsibilities and the rest is all analytics and hard core HR," says Gandhi.

An executive assistant's role is defined by the size and complexity of the business. For most medium and small family-run businesses, it is not a priority. Fast-growing family businesses with new investments and strategic expansion may assign this role to the next generation. But whether it is a family business or a big company, the job is often a training ground for future leaders. "A lot of young people have been drafted into this role in the last decade. But it's only in the last couple of years that students are being hired directly into the role without the six to 12-month training period," says Professor Sankarshan Basu, Chairperson, Office of Career Development Services, IIM Bangalore. ◆

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when he was Managing Director & CEO, ICICI Bank

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VP Marketing, Ultratech Cement, was...

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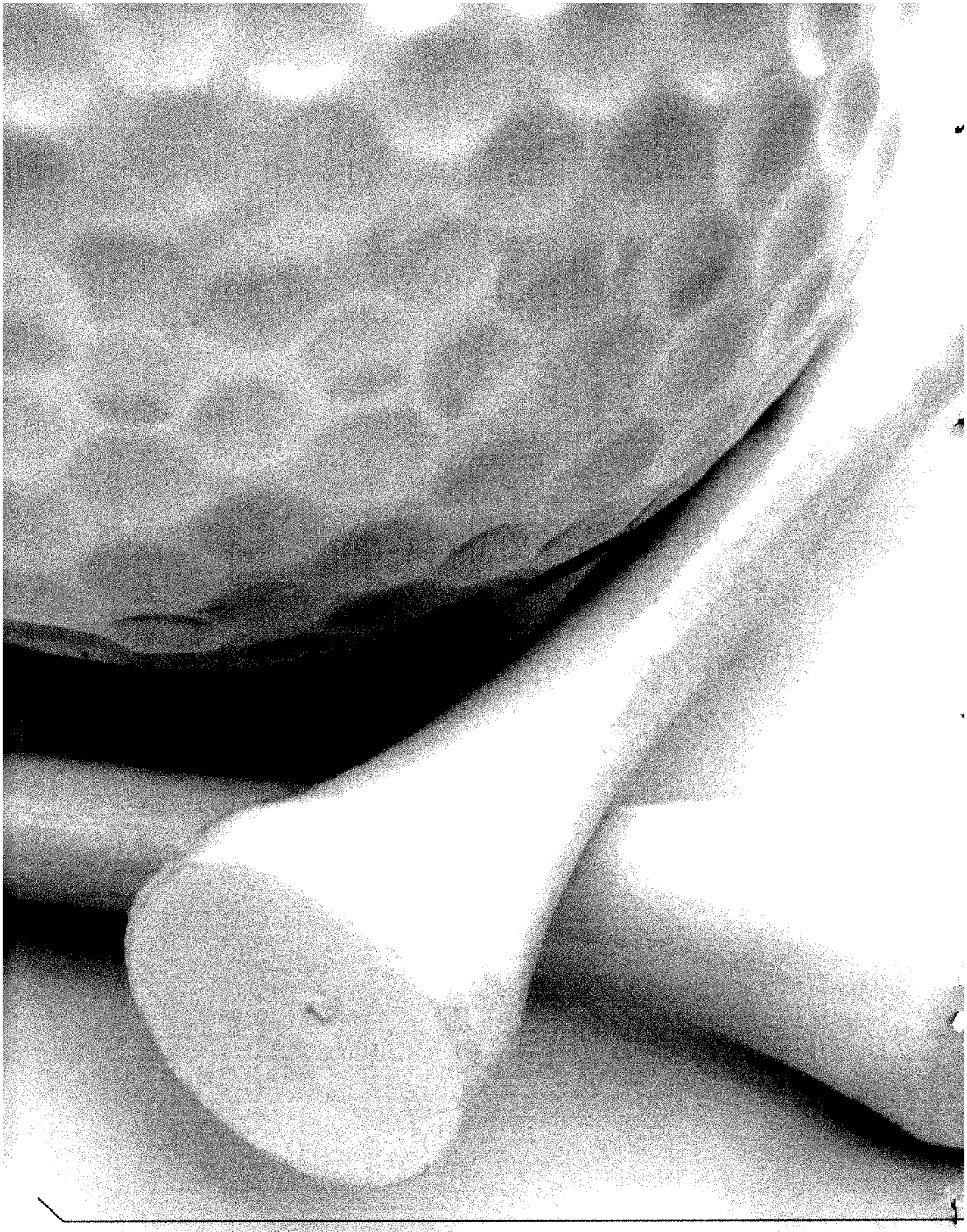

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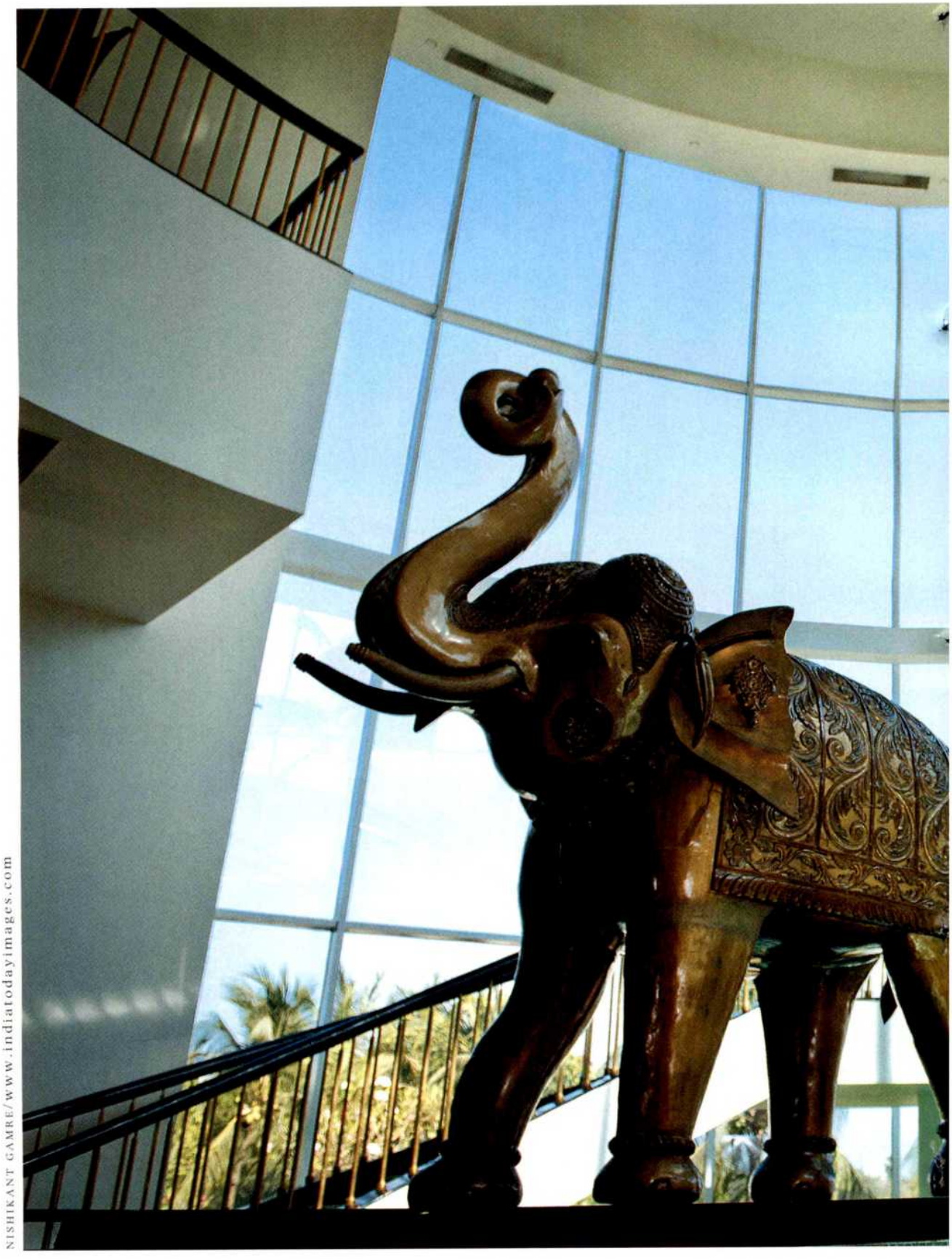

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Robert M. Bakish
CEO, Viacom International Media Networks

Digital Destiny

His Indian channels – Colors, MTV and Nick – have been riding the airwaves with elan, and now, with complete digitisation of the cable and satellite TV industry in the offing, **ROBERT M. BAKISH** expects them to do even better. The CEO of Viacom International Media Networks was in India recently and waxed eloquent on the promise of full digitisation which will make it much more difficult for cable operators to conceal their real subscriber base and deprive TV companies of revenue. "Our primary focus is to make great content and that costs money," he says. "Without a robust revenue stream it is difficult to invest." Bakish is also Chairman of the Indian venture, Viacom 18, a 50:50 joint venture with Network 18. It was, in fact, the promise of the a sizeable subscriber base that led Bakish to enter India in 2007. But with full digitisation taking its time, was he not worried? "Of course I was," says Bakish. "Fortunately we had a good channel performance and an equally good advertising market performance with Colors, which kept us going."

AJITA SHASHIDHAR

VIVAN MEHRA/www.indiatodayimages.com

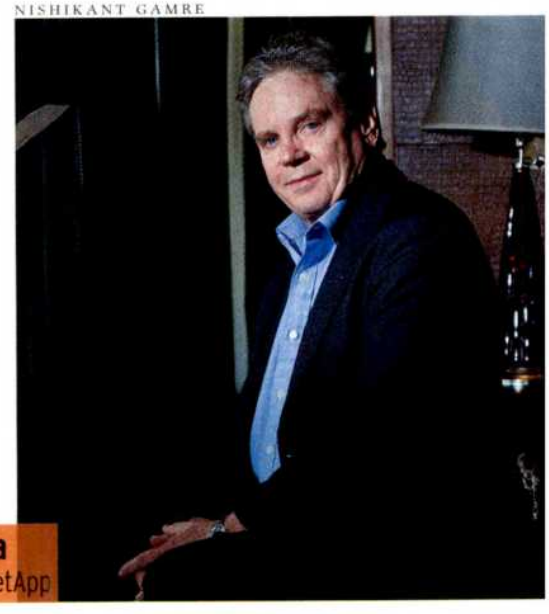
Shailesh Rao
Vice President, International Operations, Twitter

Tweet Deal Hunter

One of his main concerns is to find ways to increase Twitter's revenues outside the United States. Twitter has a revenue-usage mismatch which **SHAILESH RAO**, 41, formerly with Google India and now Vice President of International Operations at Twitter, wants to correct: 70 per cent of its usage is outside the US, yet only 10 per cent of its revenues come from overseas. "We want to connect with society and the marketplace in key markets such as Brazil, Africa, Middle East and South Asia with an aim to generate more revenues," he says. "We have seen exponential growth in international operations since last year." On government paranoia about possible misuse of social networks, Rao says: "Any new technology is easily misunderstood. Our job is to evangelise and educate governments to use this medium effectively."

MANU KAUSHIK

NISHIKANT GAMRE



Tom Mendoza
Vice Chairman, NetApp

Minding the Digital Warehouse

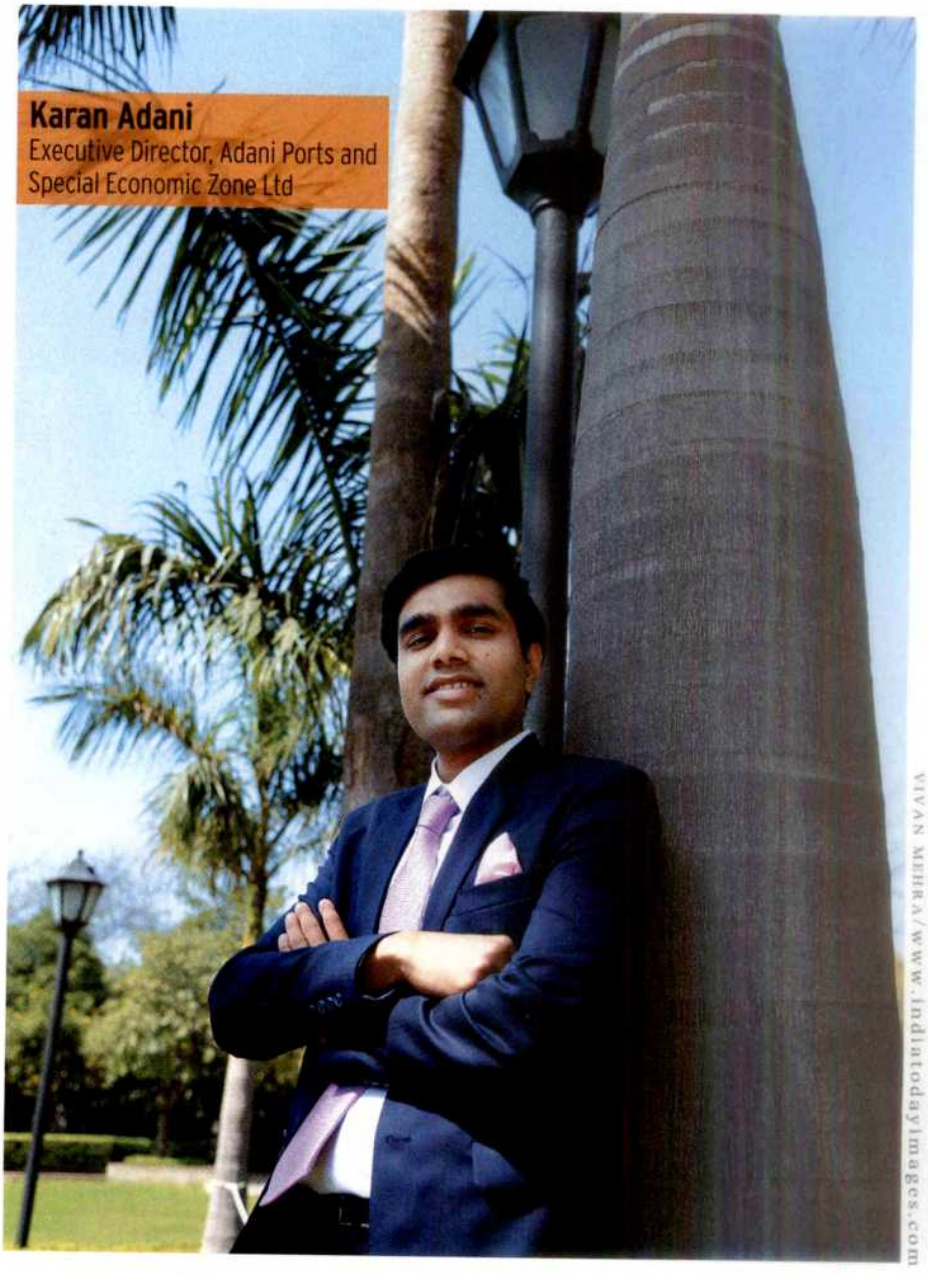
TOM MENDOZA, Vice Chairman, NetApp, stresses the importance of India is his company's scheme of things. "India is the heartbeat of what's making NetApp go," he says. The US-based, $6.2 billion data storage and management company has its India headquarters in Bangalore and has quadrupled its headcount in the country to 2,000 in four years. Worldwide, the company employs 13,000. Mendoza, who visited India recently, adds: "Our Indian team has been in on some of the biggest engineering projects in the company. It is not like India gets the low-value stuff." Despite the global buzz over the potential of digital data analysis, Mendoza believes that cost-effective and efficient storage is more important for companies.

G. SEETHARAMAN

Papa's Boy

His role model, unsurprisingly, is Gautam Adani, Chairman of the $8-billion Adani Group. "He is a strict boss, but not a strict father," says **KARAN ADANI**, 25, Executive Director at Adani Ports and Special Economic Zone Ltd (APSEZ). About himself, he says: "There is huge unspoken expectation as you are benchmarked against him." Among his father's business interests, ports excite him the most. "In the next two years, the focus will be to acquire more ports and have a presence on the eastern coast of India," he adds. This February, he married Paridhi, the daughter of Cyril Shroff, Managing Partner, Amarchand & Mangaldas & Suresh A. Shroff & Co., India's largest law firm, in a high-profile, big, fat Indian wedding at Goa. "I am at an interesting phase of my life," he says.

SARIKA MALHOTRA



Karan Adani
Executive Director, Adani Ports and Special Economic Zone Ltd

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MANMOHAN SHETTY
Chairman, Adlabs Entertainment

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- ☑ Participative
- ☐ Authoritative
- ☐ All of the above

The political leader I admire the most
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The business leader I admire the most
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The leadership lesson I remember best
An empire is not built in a day. Along with a dream, it is important to have patience and perseverance to see it through

A book I will recommend on leadership
Iacocca: An Autobiography

The difference between a manager and a leader
Leaders are visionaries and change makers

All good managers are good leaders
No

As told to N. Madhavan

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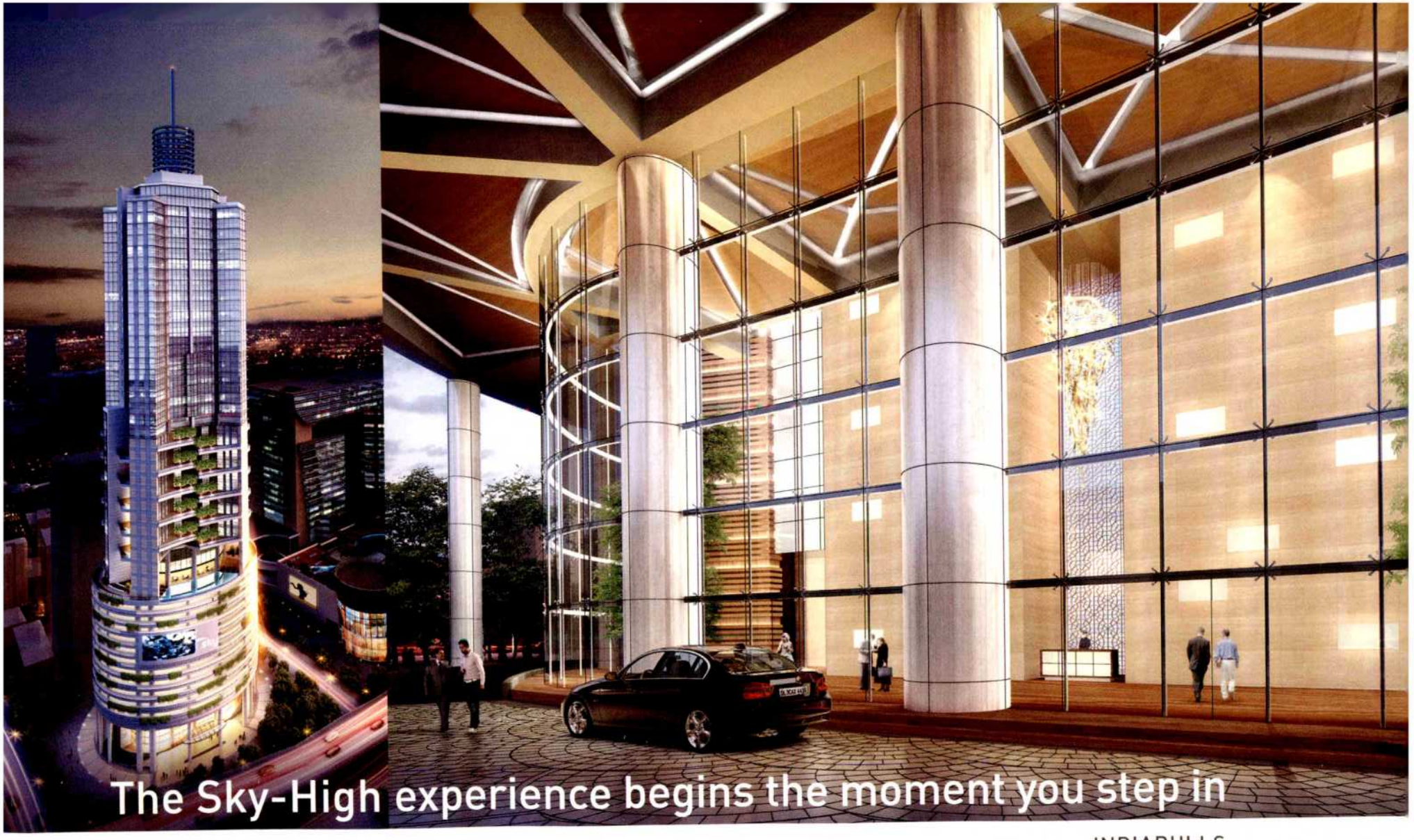

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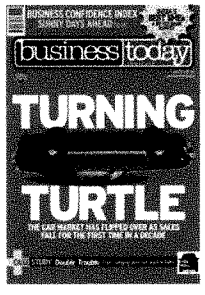
From the Editor

In 1908, when Henry Ford began making his revolutionary Model Ts on an assembly line in Detroit, there were 241 carmakers in the United States. (In comparison, India has 20 carmakers in 2013). "I will build a car for the great multitude. It will be large enough for the family, but small enough for the individual to run and care for...," Ford wrote in his 1922 autobiography. The Tin Lizzie's popularity presaged America's position as the world's biggest car market. Here in India sales of the Tata Nano, also touted as a "people's car", fell 18 per cent to 52, 341 units in the 11 months to February from a year earlier, and India's car market shrank for the first time in a decade, a turning point analysed by Assistant Editor Sunny Sen in the cover story starting on page 56.

It is important to put this reversal in context. India's car sales more than tripled between 2003 and 2010. Total sales crossed a million units in 2006/07. We are the only country to have seen a huge shift from petrol to diesel cars in the last two years. Easy loans, better roads, more disposable income, and the growing urge to get in the car with the family and head for the hills, have fuelled this rise in the number of wheels on our roads. But things are not going well, and the government's policies – ranging from a rise in the excise duty on SUVs and a widening of the definition of SUVs to include models like the Toyota Innova, the SX4, the Civic and the Corolla based on ground clearance and engine size – are not helping.

In contrast, and underlining India's economic doldrums, U.S. car and truck sales in March were the highest since 2007 at 1.45 million. Total projected sales for all of 2012/13 in India: 1.7 million. General Motors alone sold 246,000 vehicles in March in the U.S. (it sold 9,006 in India the same month), and Ford 236,000 vehicles (5,271 in India). In the U.S., the 2009 "cash for clunkers" programme, which offered financial incentives if Americans traded in their older vehicles for more fuel-efficient new ones, also helped boost sales.



Indian carmakers, staring at rising stockpiles, are desperate and are offering never-before hooks and lures. And there is "cross-badging" – selling the same model under two different brand and model names with a tiny tweak here and there. Senior Editor N. Madhavan, who nurtures our excellent case studies from Chennai, wrote a critique of cross-badging between makers like Nissan and Renault, and Volkswagen and Skoda, starting on page 66. These sleights of hand do not seem to work with consumers.

This issue also has two other very valuable *BT* trademarks. Our annual SME survey, in collaboration with YES Bank, drew a record 410,000 entries this year. A very good jury, chaired by Planning Commission member Arun Maira, picked the 15 winners. SMEs employ close to 62 million people and contribute 17 per cent of India's GDP and it is always heartening to showcase the best across the country. Share our discoveries from page 75.

The other survey is our quarterly Business Confidence Index, two years old now and well established as an important indicator of economic health (and here I must doff my cap to *C-fore*, which carries out the survey). Starting on page 48, you will read Assistant Editor Manu Kaushik's narrative that confidence has now risen slowly but surely for three quarters in a row, belying our national predilection for pessimism. "The India flavour is coming back," Venugopal Dhoot told us.

That tentative optimism was on view at the annual meeting of the Confederation of Indian Industry, where presumptive heir Rahul Gandhi delivered his first "business" speech on April 4. Read our clear-eyed review starting on page 38. Senior Associate Editor Sebastian P.T. also examines two other netas straining at their reins – Narendra Modi and Nitish Kumar, from page 42. Finally, don't miss Associate Editor E. Kumar Sharma's analysis of the pivotal Supreme Court ruling on drug patents on page 16, and intellectual-property expert Himanshu Kane's view on page 18.

Chaitanya Kalbag

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Brand into Equity

Your cover story (*Face Value ₹100 crore*, April 14) highlights how aspiration and consumerism are driving the holy grail of celebrity branding. Mahendra Singh Dhoni is among the few achievers to translate his brand into equity. His real success will be to get the brands he endorses to sponsor his business ventures, a *la* Shah Rukh Khan for Kolkata Knight Riders in the Indian Premier League. There is no doubt that Dhoni's star is rising and will continue to shine well past his playing days.

Amita Bedi, *New Delhi*

Make Hay

Your cover story on M.S. Dhoni (April 14) has thoroughly analysed the celebrity endorsement business. The statistics are mind-boggling. And Dhoni, indeed, deserves the sobriquet "Captain Cool". However, he needs to keep in mind that some reverses on the field may upset his apple cart. So the message for Dhoni is: make hay while the sun shines.

J.S. Broca, *New Delhi*

Empowering Women

Your reviewing Sheryl Sandberg's book *LEAN IN: Women, Work and the Will to Lead* (April 14) was highly appreciated. It focuses on the obstacles women face in their journey towards assuming professional leadership. Hopefully, this book will help many working women overcome their weaknesses. As a woman entrepreneur, I would like to say that women are multi-faceted. More and more books and articles should be written to encourage them to enhance their professional skills and boost their confidence.

Nirali Chhapia, *Visa Hut Inc*

IRCTC's Makeover

Your article on IRCTC's catering business (*A New Recipe*, March 31) shows how focusing on corporate clients has helped the organisation make profits after its miserable failure in the train catering business. Its catering service to corporate houses is, indeed, laudable. As its corporate client list has grown over the past year, IRCTC should also open such facilities in state capitals. The railway ministry should take this up seriously.

Srinivasan B., *on email*

Eloquent and Wise

The interview of Malcolm Gladwell (April 14) was worth reading. Gladwell has eloquently articulated the truth about India's losing grip of manufacturing, the unparalleled stress on education to sustain the growth momentum, and unequivocally urged caution in the selection of leaders.

B. Rajasekaran, *Bangalore*

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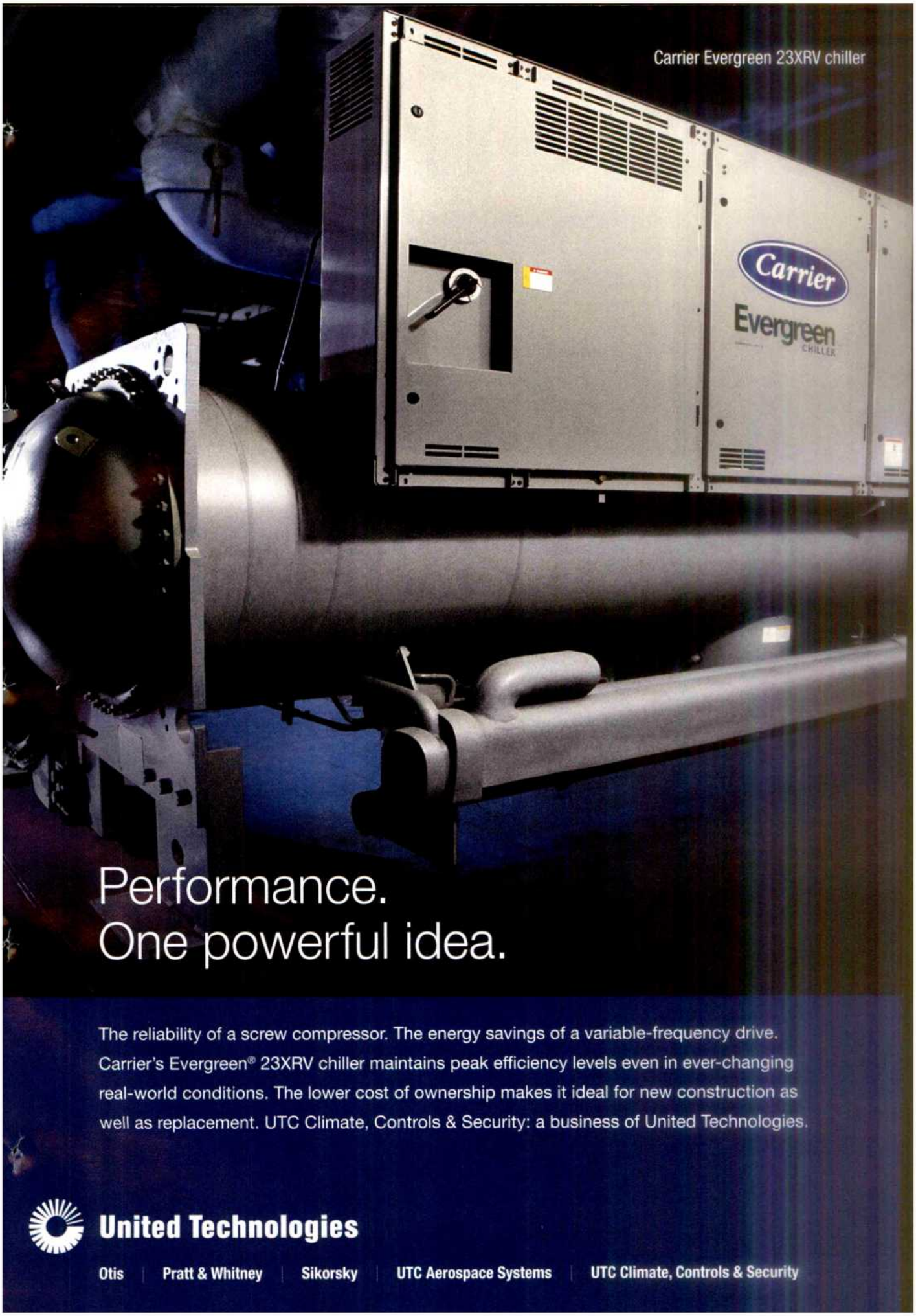

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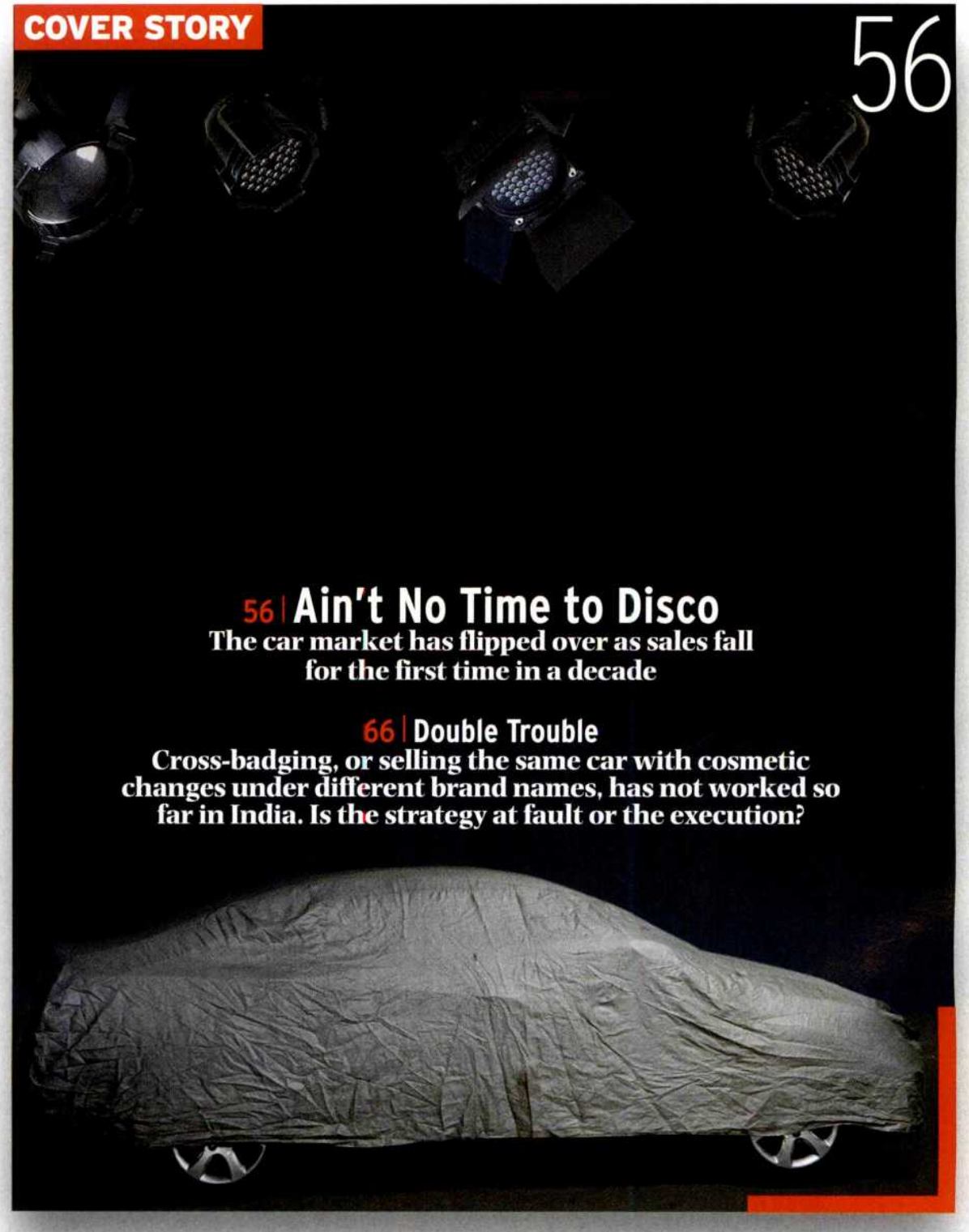
VOLUME 22/NUMBER 9

COVER STORY



56

56 | Ain't No Time to Disco

The car market has flipped over as sales fall for the first time in a decade

66 | Double Trouble

Cross-badging, or selling the same car with cosmetic changes under different brand names, has not worked so far in India. Is the strategy at fault or the execution?

12 **UPFRONT**

12 | **Quick takes on major events**

16

FOCUS

16 | **A Poorer Big Pharma**
The apex court decision on Glivec sets the tone for other patent disputes and puts global drugmakers on the back foot

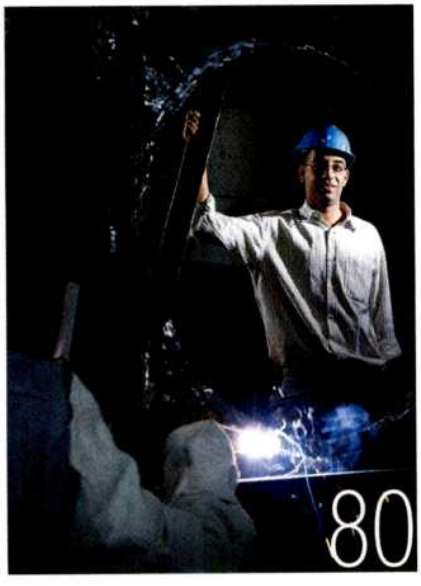
20 | **Handshake at Arm's Length**
The telecom pact may just be the beginning of mutually beneficial deals between Mukesh and Anil Ambani

22 | **Sweet Tidings**
In a historic move, the Centre lifts some of the controls on the sugar industry. The states must now act

28 | **From Gap to Abyss**
Why the current-account deficit has ballooned to record size

75

76 | **Big Small Players**
The fourth edition of the *BT*-YES Bank survey celebrating small businesses which have beaten the odds



78 | **The Lord of the Rings**
DFM Foods, maker of CRAX corn rings, pioneered the packaged snacks business in India

80 | **Biomass Badshah**
Ankur Scientific's green gasifiers sell across the world

82 | **Category Winners**

94 | **Methodology**

ONLINE

Ain't No Time to Disco
Car market shrinks; Confusion reigns; Petrol cars lose market; Diesel prices rise; Higher excise hobbles SUVs; Hatchbacks hit a wall; and new capacity may lie idle.
businesstoday.in/auto-woes

PERSPECTIVE

Beyond Brotherhood
Suman Layak takes a close look at the patch-up between the Ambani brothers.
businesstoday.in/ambani-telecom

Simply the Best
K.R. Balasubramanyam profiles IIM Bangalore's 2013 topper S. Raghavendran.
businesstoday.in/iimb-topper2013

IP Woes
The Supreme Court's Novartis verdict will affect Big Pharma in a big way, says **E. Kumar Sharma.**
businesstoday.in/novartis-verdict

INTERVIEWS

Economist Abhijit Banerjee holds forth on the government's subsidy problem and other issues.
businesstoday.in/abhijit-banerjee

Intel Capital's Sudheer Kuppam talks about the outlook for venture capital deals in India in 2013.
businesstoday.in/kuppam-speak

BLOG

Word Mentality
Uma Asher looks at the suffix *-fy* and how it is used in everyday conversations.
businesstoday.in/uma

CONTENTS

FEATURES

38

38 | Boss in the Beehive
Business tycoons were looking for clues to Rahul Gandhi's economic vision, but he did not go into specifics in his address to the CII

42

42 | Poll Dancers, Poles Apart
Who makes a better choice as prime minister: Narendra Modi or Nitish Kumar? Examine their track records

48

48 | Expect More Sunshine
The grey clouds may not have disappeared, but optimism has risen for the third quarter in a row, finds the *BT-C fore* Business Confidence Survey

96 | Finding Elbow Room
Business is down, but hotel chains are working out new ways to keep growing

100 | Catalytic Converter
Private equity fund Actis Capital has helped Indian companies such as Paras Pharma and Nilgiri's, which were stuck in a groove, scale up to the next level

106 | Avatar 2
The film industry transforms as big studios find low-budget movies an attractive proposition

120

LBNL

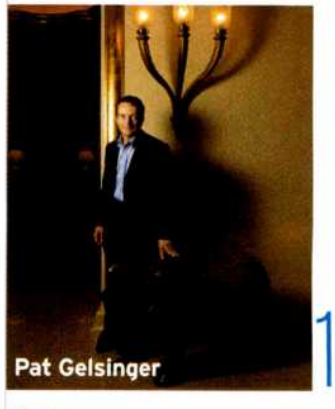
120 | Serves Them Right
ISKCON's Bangalore temple offers 1,200 *sattvic* recipes to raise diners' consciousness to a higher plane

123

RIGHT CLICK
123 | Notes from the Future
Transiting from the digital to the physical world, and vice versa, is getting easier

BOOKEND
125 | A Cock and Bull Story
A fable about the need for innovation and the challenges in implementing it

CAREERS
128 | Much Ado About Homework



134

134 | PEOPLEBUSINESS

LEADERSPEAK
138 | Kunwer Sachdev,
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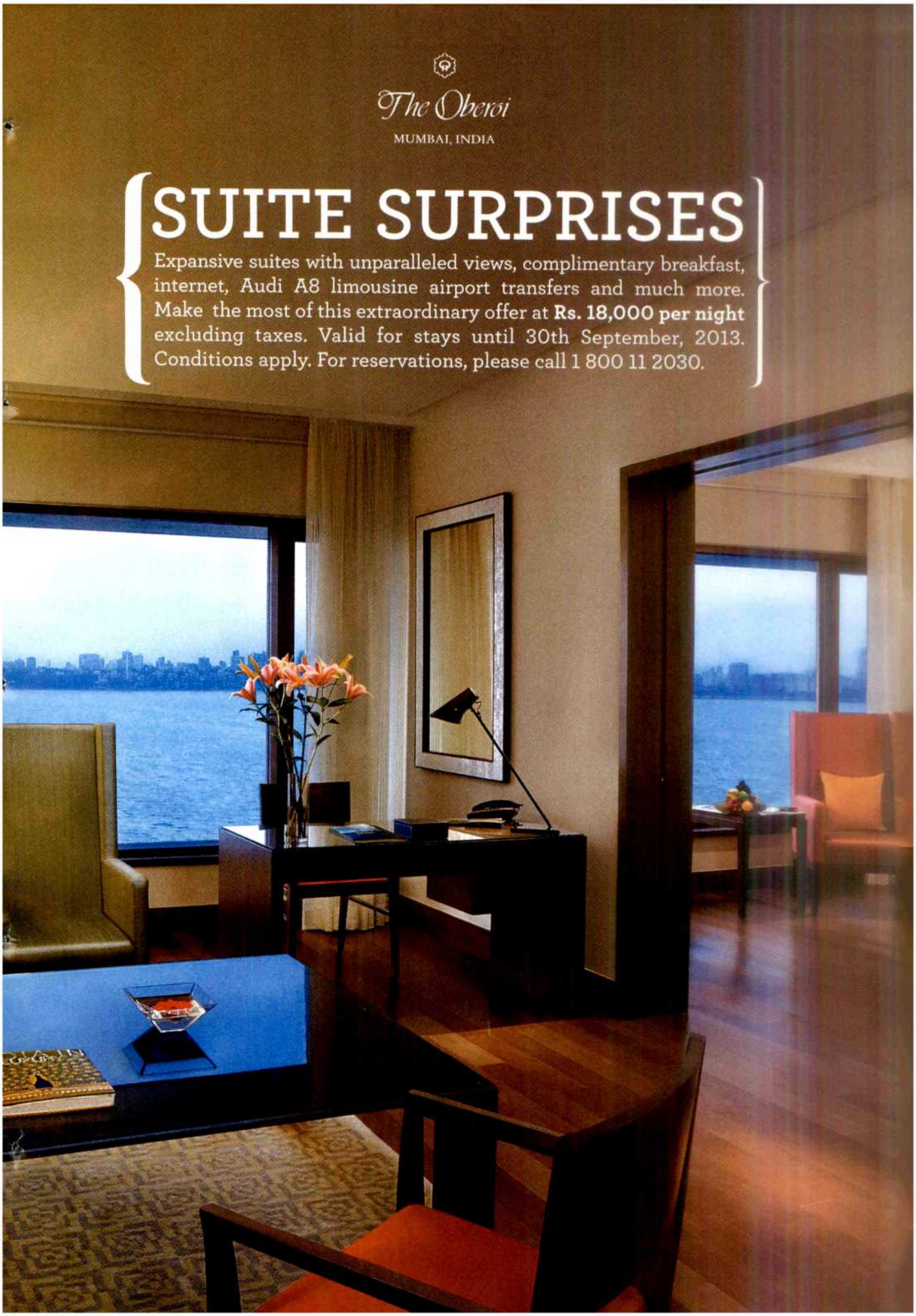
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Cricket Carnival: The sixth edition of the Indian Premier League T20 cricket tournament has begun. Advertisers are placing their bets on this money machine, expecting TV ratings to improve over those of last year. Broadcaster Multi Screen Media has roped in 11 sponsors and 80 per cent of its ad inventory has been sold.

Corporate

The Supreme Court has overruled a Madras High Court order to shut down India's largest copper smelting plant in Tuticorin, Tamil Nadu. However, it has imposed a fine of ₹100 crore on the **Anil Agarwal**-promoted Vedanta Group for causing ecological damage to the area surrounding the unit. The penalty will increase if the company causes further damage to the environment, ruled the court. The 400,000-tonne plant has seen an investment of ₹8,300 crore. Sterlite contributes about 50 per cent of India's copper production.

Airline passengers are in for a bonanza. Malaysian airline AirAsia is offering two million seats at a discount. Also, India and Singapore have inked a pact to enhance air services, raising airline seats by 10 per cent each way. But those rushing to cancel bookings made on other airlines would do well to pause. Jet Airways has revised its cancellation charges from a flat ₹1,050 to as much as ₹2,000 in certain cases.

Mobile handset sales in India rose 20.8 per cent in 2012 to 221.6 million units, driven mainly by growth in the sale of smartphones. Brands like Samsung, Nokia and Sony – in that order – sold the most in this category.

On April 1, Tata Sons Chairman Cyrus Mistry addressed employees of Tata Motors from the company's plant in Pimpri, Pune, carrying on a 25-year-old tradition. In the speech, broadcast to 55,000 employees globally, he urged them to leapfrog ahead of the competition.

The Bombay High Court has refused to stop Kingfisher Airlines's lenders from selling shares pledged by UBI Holdings to recover their dues. The Vijay Mallya-promoted UBI Holdings had pledged its stake in United Spirits Ltd and Mangalore Chemicals & Fertilizers Ltd with the lenders as security against loans to the airline. The carrier, also owned by Mallya, has been grounded since last October. It paid salaries for two months to 2,000-odd employees after they threatened to hold protests at the residences of Indian Premier League team members. Mallya owns Royal Challengers team.

For most MNCs, doing business in China is not easy. Apple has learnt this lesson the hard way. After the country's state media criticised the firm, CEO

Tim Cook apologised to Chinese consumers for poor communication over its warranty policy. Apple will now change the terms for some of its iPhones sold in China, its second-biggest and fastest-growing market. Apple's sales in China rose almost 40 per cent, touching $6.8 billion, in the final quarter of 2012.

Economy

India's economy is capable of absorbing $50 billion in foreign direct investment (FDI) per year, according to Finance Minister **P. Chidambaram**. The country's financial account, which includes FDI, portfolio investment and overseas borrowing by companies, showed a surplus of $31.1 billion in the December quarter of 2012/13.

India's manufacturing sector saw its slowest rate of expansion in 16 months in March as power outages hampered production activity and new business orders dwindled. The HSBC India Manufacturing Purchasing Managers' Index (PMI) – a measure of factory production – stood at 52 in March, down from 54.2 in February. The HSBC Services PMI, based on a survey of 400 companies, fell to a 17-month low of 51.4 in March, down from 54.2 in February.

Further reflecting the current gloomy economic scenario, the Centre's direct tax collections for 2012/13 have fallen short of even the revised estimate, by ₹17,000 crore, to ₹5,48,845 crore. This may hit efforts to curb fiscal deficit

₹6,000 cr

The amount mopped up by Indian companies during 2012/13 through initial public offerings (IPOs). This is a slight increase of four per cent from the total funds raised through IPOs in 2011/12, when 33 companies together mopped up ₹5,808 crore. Bharti Infratel came out with the largest public issue of the year when it hit the capital market to raise ₹4,118 crore.

10.4

The percentage of mutual fund investment, amounting to ₹19,124 crore, in software stocks at the end of February. The mutual fund industry's total equity assets under management stood at ₹1.83 lakh crore.

Markets

Investors may need to brace themselves for further downgrades of companies' earnings in 2013/14, says Bank of America Merrill Lynch.

The Centre is unlikely to raise the import tax on gold further, says Finance Minister P. Chidambaram. Instead, inflation-indexed instruments to rein in the current account deficit are on the cards. Chidambaram also said the government will continue to seek a lowering of interest rates by the RBI.

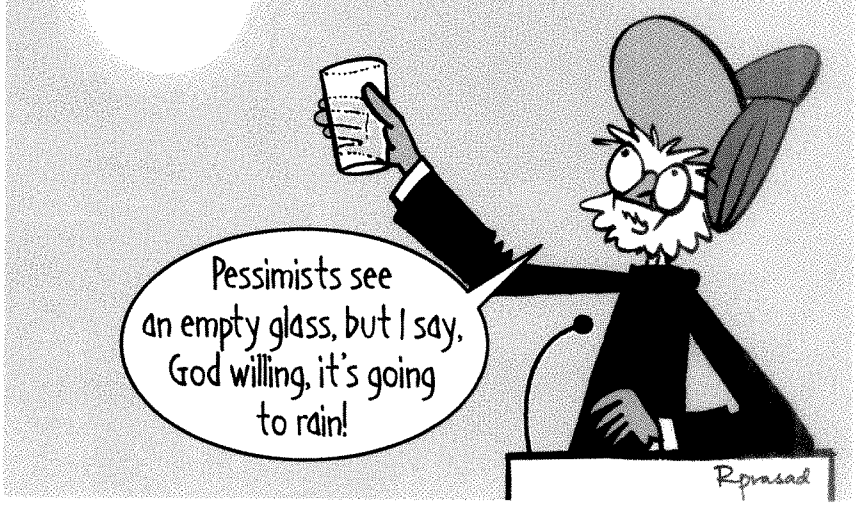
IndusInd Bank and NMDC are the new entrants in the Nifty, replacing IT major Wipro and capital goods company Siemens. The impact on the stock prices of the four companies varied.

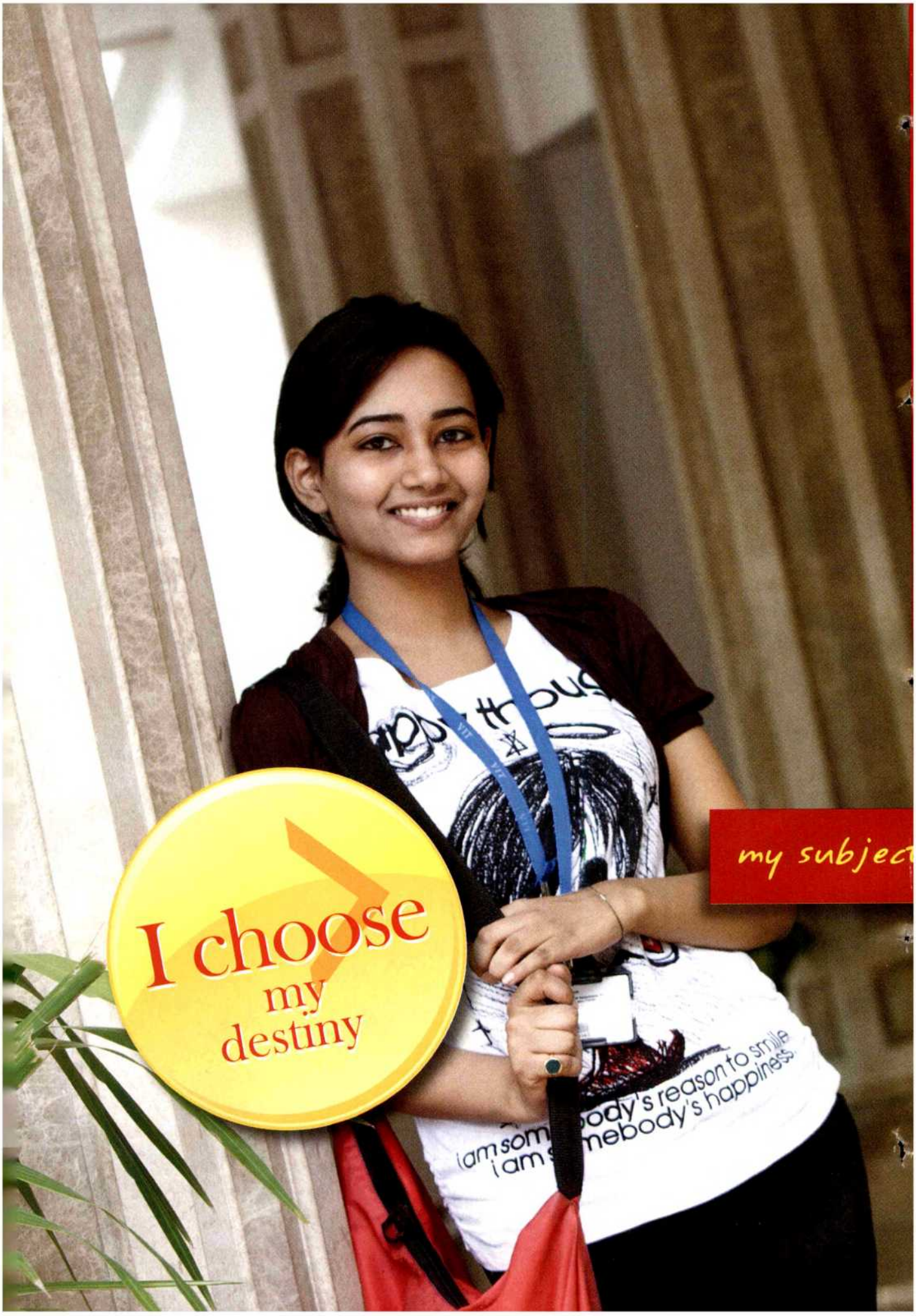
Coming Up

The Damodaran committee, set up in August 2012 to suggest ways to improve India's overall business climate, is likely to submit its report by April-end. The committee has examined a slew of issues, including infrastructure development.

Good news for mobile Internet consumers. Google is likely to launch a new version of its Nexus 7 tablet, powered by Qualcomm's Snapdragon processor, around July. It aims to ship eight million of the Asustek-made tablets, throwing down the gauntlet to other low-end tablets such as Amazon's Kindle Fire and Apple's iPad Mini.

Country is unduly pessimistic; but we'll prove the prophets of doom wrong, PM tells CII

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SANTOSH

A Poorer Big Pharma

The Supreme Court decision on Glivec sets the tone for other patent disputes and puts global drugmakers on the back foot. By E. KUMAR SHARMA

$48.8 bn
The Indian drugs market by 2020, which foreign firms can ill-afford to ignore

At 10.30 am on April 1, the global pharmaceutical industry heard the verdict of a case it had been waiting seven years for. It was anything but an April Fools' prank. That Monday morning, the Supreme Court of India dismissed the plea to patent Glivec, a cancer drug of Novartis AG, and with it clarified what could be called an innovation in drugs.

"For patents, this is a watershed. After the new patent law in India it is only now that its section 3(d) is being put to test in the Indian courts. The ruling is going to fundamentally change the way new product introductions can happen in India," says Anand Nandkumar, Assistant Professor of Strategy, who has been researching patents and their influence on competition, at the Indian School of Business (ISB), Hyderabad. Nandkumar is referring to India's patent rules that came into effect in 2005 and a clause – Section 3(d) – which questions how much more efficacious a drug has to be to qualify for monopoly protection.

Yusuf Khwaja Hamied, Chairman of Cipla, a top Indian drug firm that excels

Not Just Glivec

Other patent challenges to watch out for

PATENT FILED BY	DRUG	DESCRIPTION	INDIAN COMPANY CONTESTING
Boehringer	Telmisartan, Amlodipine	Controls blood pressure	Cipla
Breath Ltd	Ipratropium, Levalbuterol	Treats respiratory problems like asthma	Cipla
Schering	Drospirenone	Contraceptive	Cipla, Natco Pharma
Boehringer	Nevirapine	anti-AIDS	Cipla
Breath Ltd	Budesonide, Formoterol	Treats respiratory problems like asthma	Cipla

Source: Industry

at introducing copycat or generic drugs, says the April 1 ruling and the interpretation of Section 3(d) of the law means that there cannot be "evergreening" of patents, a practice to prolong a patent with small changes in the drug. "It means you cannot patent in India minor modifications of products and thereby extend patent life," he says. But Hamied insists it does not mean India – set to ring in drug sales of at least $48.8 billion by 2020, up from about $11 billion last year, according to consulting firm PricewaterhouseCoopers – is against innovation. He points out that there are just six or so out of some 5,000 patents granted that are being fought by his company. (See *Not Just Glivec* for some of the other drugs being challenged under Section 3(d).)

Ranjit Shahani, who heads the Indian unit of the Basel-headquartered Novartis is disturbed even if he pulls a light-hearted moment. "I need a packet of lozenges," he tells *Business Today* on one of the several calls he's taken on April 1. "There is only 'ever-delaying' of patents in India," he says. "If you have a patent here, it gets revoked. If you have a patent there, you are pushed for a compulsory licence or... there is price control." (A compulsory licence allows a generic drugmaker to make a patented medicine on payment of a royalty.) Glivec is priced at ₹1.2 lakh for a month's treatment, while its generic equivalent is available for less than ₹10,000.

The Indian judgement is worrisome for global drugmakers with potential ripples in other countries. The Philippines has rules identical to Section 3(d) of India's patent law. Argentina has a similar provision. Others such as Brazil and Thailand have issued compulsory licences for certain drugs. And, already there are reports of activist moves in Australia and Canada. This, at a time when the world's biggest market for drug – the United States, is facing pricing and regulatory pressures and the new drugs pipeline is getting thin.

The dismissal of the Glivec patent plea comes on top of earlier reversals for Big Pharma, a common reference to MNC drug firms with sales more than $20 billion, in India. In November 2012, the Intellectual Property Appellate Board (IPAB) denied patent protection to AstraZeneca for its lung cancer drug Gefitinib, just after it revoked Roche's patent for Pegasys, a Hepatitis C drug. And, in March last year, in the first instance of its kind, the Indian Patent Office granted Hyderabad's Natco Pharma a compulsory licence to sell a generic version of Bayer AG's kidney and liver cancer drug Nexavar.

In the general brouhaha after the Glivec judgement, some voices on the need to protect patent rights of drug innovators stood out. "We need to keep in mind the long-term implications, for India is still not an innovator of new drugs. We need to ensure that the measures are not such that finally new drugs are not got into India," says B.S. Ajaikumar, founder of HealthCare Global, a chain of cancer care hospitals. India, instead, should seek measures to reduce the time to launch low-cost generic versions, he suggests.

One implication of the SC ruling, according to ISB's Nandkumar, is that it could trigger a review of India strategy at Big Pharma. These companies will either price drugs in India differently or enter into licensing arrangements with Indian companies. Even there the waters can be turbid as a recent instance of Sun Pharmaceuticals and Merck dragging Glenmark Pharmaceuticals to court over patent infringement of a Merck diabetes drug licensed to Sun shows. The churn in Indian drugs patenting is just beginning. ◆

HIMANSHU KANE

Only for the Deserving

The apex court's judgment in the Novartis case strikes the right balance between public and inventor interest

The new financial year began with a landmark judgment by the Supreme Court on Novartis which will have far reaching effects on the patentability of therapeutic drugs. Though it is seen as a triumph of generic drug companies over pharmaceutical giants, of hope for the common man, a socio-legal fairytale, its actual legal implications are lost in the excitement.

At the core of the judgment is whether a patent should be given to an invention comprising a new form of a known drug, which does not enhance the efficacy of the drug – and, in this context, what is the efficacy of the drug. The drug in question was Imatinib Mesylate (brand name: Gleevec/Glivec), used to treat chronic myeloid leukaemia.

The judgment has analysed the Indian Patents Act, specifically the provisions relating to what are patentable inventions as far as chemical or pharmaceutical substances are concerned. It has laid down standards for patentable inventions relating to medicines. The judgment has interpreted those provisions and has curbed attempts at repetitive patenting of known medicines. The apex court has held that for grant of patent the subject must satisfy two distinct tests at the heart of the Patents Act, namely of "invention" and "patentability".

The test of patentability sets up a second and higher tier of qualifying standards, especially for chemical substances/medicines, in order to leave the door open for true and genuine inventions, but, at the same time, check any attempt at extension of patent term on spurious grounds. Under the scheme of patent, a monopoly is granted to an individual in exchange of the invention being made public so that, at the end of the patent term, the invention will belong to the people at large who may benefit from it.

The apex court has observed that a patent should not be traded as a commodity, especially for making high profits and filing infringement actions. In the case of a new form of a known medicine, it must possess therapeutic efficacy, that is the ability to produce a desired result, which must be judged strictly and narrowly. The court also discussed bio-availability (the degree to which a drug becomes available to the target tissue after administration) and held that increased bio-availability does not necessarily imply increased therapeutic efficacy.

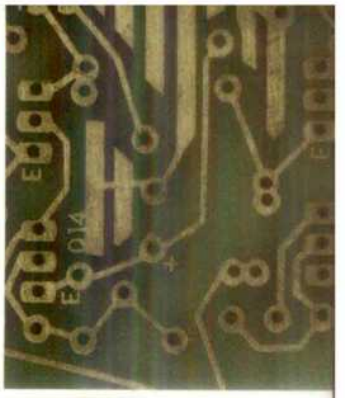
What does this mean for future patents in this arena? A patentee will think twice about evergreening patents. A drug merely passing the test of inventive step, that is a technical advance as compared to the existing knowledge, and not obvious to a person skilled in the art, is not enough. It must clear the test of enhanced therapeutic efficacy. Future patentees would do well to remember that evidence of enhanced therapeutic efficacy must be shown.

The judgment is not meant to deter patenting inventions but rather to exclude claims to patents on spurious grounds. It is not a strike against the pharmaceutical industry, nor is it a ruling meant to appease the masses. It will be a grave mistake to read the judgment to mean that the Act bars patents for all incremental inventions of chemical and pharmaceutical substances.

The judgment attempts to strike a balance between public interest and inventor interest. ◆

The writer is Managing Partner, W.S. Kane & Co. (Shalini Sitaraman, Advocate & Patent Attorney, W.S. Kane, also contributed to the column)

THE JUDGMENT IS NOT MEANT TO DETER PATENTING INVENTIONS BUT RATHER TO EXCLUDE CLAIMS TO PATENTS ON SPURIOUS GROUNDS



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Handshake at Arm's Length

The telecom pact may just be the beginning of mutually beneficial deals between Mukesh and Anil Ambani.

TEAM BT

BY ALL ACCOUNTS, THE 2005 SPLIT IN SHAREHOLDINGS WILL DEFINE THE POSSIBLE FUTURE PARTNERSHIPS BETWEEN THE BROTHERS

It is a big step forward in the reconciliation process between the Ambani siblings. However, the telecom deal between Mukesh and Anil has not resulted in any equity partnership between the two. By all accounts, the 2005 split in shareholdings continues to hold and will define the possible future partnerships between the brothers.

Indeed, there was much speculation before the deal was announced that the Mukesh-owned Reliance Jio Infocomm would pick up a stake in Anil's Reliance Communication (RCom) or its telecom towers subsidiary, Reliance Infratel. But the brothers have clearly decided to keep each other's businesses at arm's length.

Under the pact, Reliance Jio, Reliance Industries Ltd's (RIL) telecom arm, will pay RCom ₹1,200 crore to use its 120,000 kilometre nationwide optical fibre network for the roll-out of 4G services.

The network was set up in 2003 and 2004 when Mukesh Ambani was in control of the then unified Reliance Group. Industry insiders say that the network had been built in a way that there is no need to dig up the

ground again. Additional pipes had been laid that were lying idle and more pipes can be inserted without much trouble to accomodate Reliance Jio's 4G services. Also, RCom will have the right to use any fibre-optic network that Reliance Jio sets up in future.

Saurabh Mukherjea, Head of Institutional Equities at Ambit Capital points out that RIL has spare capital and Anil's Reliance Group could do with fund infusion. "Also, two years back, Mukesh Ambani stated his intention to build businesses in telecom, financial services and power, and Anil's group has a presence in these areas. Therefore, you will see more co-operation between the two empires in coming years," he says.

The deal, announced April 2, will see Reliance Jio using the inter-city network of fibre-optic cables. Negotiations are on between the two groups for use of RCom's intra-city fibre optic cables as well as the telecom towers network. Setting up the network from scratch would cost RIL ₹12 to 13 lakh per km – the pact gives RIL the usage of a nationwide network at just about ₹1 lakh per km.

RCom shares reacted favourably after the announcement, gaining over 10 per cent. However, the RIL stock lost ground marginally with analysts divided in their estimate of the impact of the deal on the company. A report by Religare Capital Markets said this was the start of a major telecom capital expenditure (capex) by the company. "Entry of the well-capitalised RIL could be detrimental for the already-strained telecom sector. For RIL, this non-core business investment which would require additional capex before turning profitable would likely prove less value-accretive in near-to-mid-term," the report said.

However, Vinod Sharma, Head of Private Broking at HDFC Securities felt that the deal was "mutually beneficial" and would result in Mukesh Ambani spending less than competitors in his telecom foray. Ambit's Mukherjea adds that RIL is looking for alternative investment avenues since its core business is slowing down. "Petrochemicals is a highly commoditised business and is also going through a global slowdown," he says.

Will the fast growing financial services business be the next meeting ground for the Ambani brothers? It is likely, say analysts, and it could mean RIL parks its surplus funds in the financial products of Anil's Reliance Group. Already RIL has invested more than ₹800 crore in various mutual fund schemes of Anil's Reliance Mutual Fund over the past eight months.

There is some speculation that Mukesh and Anil could make a combined bid for a banking licence. But there are also media reports claiming that RIL has already asked former Citibank chief executive Vikram Pandit to head its proposed bank independent of any truck with Anil. RIL, however, has denied any such move.

All eyes will now be on Mukesh Ambani and his moves in telecom. RIL is speaking not just to Anil Ambani but other telecom players for further infrastructure sharing deals. Once all the infrastructure is in place the company will do some more pilot-testing of its 4G services. Currently, pilot projects are on in Mumbai, Delhi and Jamnagar only.

The signals for the markets are clear. In the spirit of the new name of Mukesh's company Reliance Jio – it used to be called Reliance Infotel till a month and a half ago – the Ambani brothers have decided to "live and let live" (*Jio aur Jeene do*). ◆

IN GOOD COMPANY

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FOR RIL

- Gives it a tested and a robust optical fibre network
- Gives it ready-to-use infrastructure
- More such deals possible

Sweet Tidings

In a historic move, the Centre lifts some of the controls on the sugar industry. The states must now act. By N. MADHAVAN

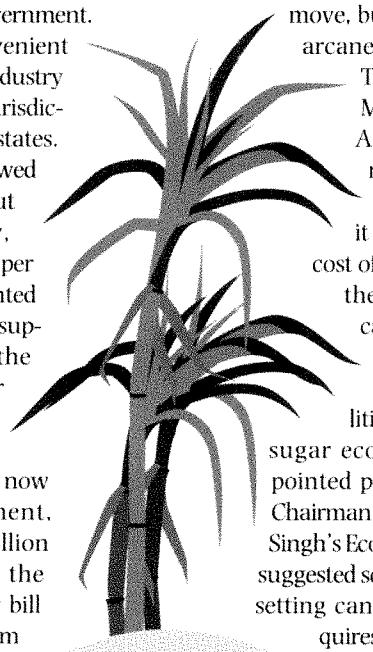
For a government desperate to bolster its reform credentials and attract foreign investment, lifting controls over the sugar sector offered a great prospect. Not only because sugar was among the most tightly controlled commodities but also because the sweetener affects the daily lives of almost everyone. But lifting all controls requires the blessings of state governments. This was difficult as some states, such as Uttar Pradesh and Tamil Nadu, are ruled by political parties which are not favourably disposed to the Congress party-led central government. So, the Centre found a convenient way out. It chose to free the industry from all controls under its jurisdiction and leave the rest to the states.

THE IMMEDIATE WORRY FOR THE CENTRE IS HOW LIFTING CONTROLS WILL IMPACT SUGAR PRICES

The Centre on April 4 allowed mills to sell their entire output at market rates. Until now, mills were required to sell 10 per cent of their output at discounted rates to the government for supplying to the poor. While the market price is over ₹30 per kg, the discounted rate was ₹19.04 per kg. The losses mills incurred by doing so will now be borne by the government, which buys about 2.8 million tonnes a year. As a result, the government's sugar subsidy bill will rise to ₹5,300 crore from ₹2,300 crore.

The Centre also scrapped the practice of fixing the amount of sugar that mills can sell in the open market. Besides, it eased the trade policy. This will help India shed its image of an unreliable exporter. India is the world's second-largest sugar producer, after Brazil, but has an erratic export record due to frequent government interventions.

Industry has welcomed the steps. "The reforms will make the sector more viable and attractive," says Abinash Verma, Director General of industry group Indian Sugar Mills Association. "This will help attract investment." Some niggles remain, however. Sugarcane pricing, the area from where a mill can buy cane, and the distance between two mills still pose problems. "The sugar side of the sector has been freed and that is a welcome move, but the challenges on the sugarcane side remain," says Ram V. Tyagarajan, Chairman and Managing Director of Thiru Arooran Sugars. "The action now shifts to the states."



Cane pricing is critical as it constitutes 80 per cent of the cost of producing sugar. Currently, the Centre announces what it calls a "fair and remunerative price". States top up that price for reasons entirely political. This creates havoc in the sugar economy. A government-appointed panel led by C. Rangarajan, Chairman of Prime Minister Manmohan Singh's Economic Advisory Council, had suggested scrapping the practice of states setting cane prices. This, however, requires states' consent. The industry will have to convince the states to ease controls – a tall order given the ground realities.

The Centre's immediate worry is how its decisions will impact sugar prices. Will prices drop as mills increase supplies? "There could be initial chaos but the industry will soon learn to handle the freedom," says Tyagarajan. ◆

THE SHACKLES
Some stay, some go

- **Compulsory sale of 10% of output at discounted rate** (Removed)
- **Practice of fixing the amount of sugar mills can sell in the open market** (Removed)
- **Mills under compulsion to procure cane from a specific area only** (Stays)
- **States announcing cane price over and above fixed by Centre** (Stays)
- **Fixed minimum distance between two sugar mills** (Stays)

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Unhealthy Obsession

Increasingly, submissions for annual advertising industry awards are created for the sole purpose of entering events, a trend that is proving costly in many ways.

By AJITA SHASHIDHAR

Forgotten campaigns: Award-winning advertisement for Levi's slim-fit jeans (left) and Cycle Agarbatti poster

SRISTI

The Goafest, the Indian advertising industry's annual national awards ceremony, was rocked by complaints about voting irregularities in March 2010. According to a jury member who was present there, a fellow jury member and chief creative officer of a leading advertising agency was caught on camera, voting for his own agency's work. The scandal was kept as quiet as possible, but the awards committee did all it could to ensure fairness. It appointed a non-creative person as its head to ensure neutrality. Jury members were barred from voting on their agencies' campaigns, and every entry had to have the client's approval.

"It is this approval that saved my skin this time," says a Shashi Sinha, CEO of IPG Mediabrands, who chairs the committee for the Abby awards, billed the Oscars of advertising in India. He is referring to the Ford Figo campaign that sparked outrage around the world. It consisted of three posters, one of which showed former Italian prime minister Silvio Berlusconi driving a Ford Figo that had a group of semi-clad women gagged and bound in the boot. Sinha says advertising agency JWT India had entered 13 campaigns for Ford Figo and withdrew all of them a couple of days before the controversy went public. The fiasco cost JWT India's creative head, Bobby Pawar, his job. Vijay Simha Vellanki, creative director of Blue Hive, JWT's internal agency which manages the Ford account, also lost his job.

IPG Mediabrands' Sinha says none of the three objectionable advertisements made it to the final round, but adds that half the campaigns are submitted for the Abbys simply to gain entry to the awards function.

The obsession with awards has been simmering for years. In 2006, JWT India entered a campaign for Levi's jeans, featuring two stick characters, which won awards at the Goafest and Cannes. But few remember seeing it in mainstream media. For every popular Cadbury or Pepsi campaign that wins awards, there is a string of obscure campaigns that hardly anyone has heard of. Such 'scam' campaigns make it to award shows with the permission of the clients.

"They are edgy and don't fit into the cli-

ent's communication plan," says Santosh Padhy, co-founder of Taproot India. However, he adds, clients don't mind such campaigns being submitted for an award.

One of the criteria for entering an advertisement for an award is that it should have been released in at least one publication or on TV. Sinha says: "They do so in obscure regional newspapers. Some of them even have special rates for December and January, when most of these ads are released."

"Awards are a celebration of good work, but they can't be an objective. A good campaign will automatically win awards"
PIYUSH PANDEY,
Chairman, Ogilvy

Such campaigns, known in the industry as "proactive" work, have been a globally accepted phenomenon for years. But of late, there has been a surge. "There was just a handful of pieces that would be part of the award shows," says Sajan Raj Kurup, founder of CreativeLand Asia. "But of late, up to 95 per cent of the work seems to be created only for awards. And there are agencies that run and fund a whole machinery within their organisation to churn out these pieces." CreativeLand Asia boycotted the recently concluded Goafest, citing the increasing number of such 'scam' awards in the competition.

According to a senior advertising professional, who does not want to be identified, at least 650 of the 715 entries by a leading agency were created only for the Abby awards. Goafest 2013 got 4,300 entries, including 387 from JWT India, 420 from DDB Mudra and 470 from McCann Erickson.

Awards can, of course, help an agency attract talent and clients. But there are unsavoury side-effects, such as the Ford Figo campaign fiasco and the erosion of the Abbys' credibility.

A mid-level creative at a leading agency says his organisation encourages people to come up with edgy campaigns that can compete for awards. CreativeLand Asia's Kurup says agencies put pressure on their staff to win awards. "Many have awards as criteria for remuneration and incentives. Some senior management's variable pay depends on their agency's standing in the tally."

Piyush Pandey, Chairman of Ogilvy, says: "Awards are a celebration of good work, but they can't be an objective. If you create a campaign like Cadbury or Fevicol, it will automatically win awards." He is referring to Cadbury Silk TV commercials that show the chocolate distracting people from what they are doing, and a Fevicol commercial featuring an egg so tough that it breaks a saucepan.

Vivek Nayer, Chief Marketing Officer (Automotive Division), Mahindra & Mahindra, says creativity is one thing, but scale also matters. "When I, as a CMO, approve any ad campaign to enter into an ad festival, I should be able to stand on the terrace and shout to the world about it," he says. "One-off campaigns only for the purpose of winning awards will lead to more controversial campaigns."

But many say events such as Goafest recognise originality, uniqueness and execution. Prathap Suthan, Managing Partner of Bang In the Middle, an advertising agency, says the Abbys are for creativity. "For effectiveness, there's the Effies," he adds.

Draft FCB-Ulka CEO Ambi Parameswaran says the creative community does not want method in the madness. He says when he was president of the Ad Club of Bombay, which organises the Goafest, he tried to increase oversight by requiring award entries to be authorised by the client on stamp paper, so that senior managers were involved in authorising work. "No sooner had I suggested it than there were protests from the creative fraternity," he says. Sinha says that "the creative guys don't want scale", and adds the Abby awards committee worked hard to increase transparency this year.

If anything good comes of the Ford Figo fiasco, it may be that agencies and clients will be more careful about festival entries and do less proactive work. Sinha says four winners withdrew from this year's awards, as they had doubts about their entries. Change may be afoot already. ◆

Patently Justified?

Indian handset makers may have to reconcile themselves to paying for patented technologies. By NANDAGOPAL RAJAN

SANTOSH

BT RETRO

BT's March 31, 2013 story on emerging trends in the domestic handset market showed how Indian phone makers were changing tack to take on their multinational rivals. See *www.businesstoday.in/indian-handsets*

The high octane growth of Indian mobile handset makers has caught the attention of global technology patent holders in the telecom industry. So far local manufacturers had mostly been using patented technologies without paying royalties, but the good times seem about to end. Though the patent infringement lawsuit by telecom major Ericsson in the Delhi High Court against the largest Indian handset maker, Micromax, is still pending, the latter has agreed to an interim licence arrangement with Ericsson under terms known in the industry as FRAND (Fair, Reasonable and Non-Discriminatory). Ericsson is the largest holder of standard-essential patents for mobile communication, with some 33,000 of them.

In a statement, Micromax said it is "committed to negotiating a FRAND licence with Ericsson as Ericsson has undertaken to providing a FRAND licence to Micromax". D. Calab Gabriel, Senior Partner at intellectual property attorney firm K&S Partners, explains that while this cannot be taken as a precedent as it has not been imposed by the court, similar arrangements could be proposed by other parties in future actions of this kind. Gabriel adds that there are three possibilities in the Ericsson-Micromax case. The court could issue a final order saying there had been no infringement of Ericsson's patents. It could also uphold Ericsson's claim and propose a new royalty rate agreed upon by the parties or imposed on them. "The third possibility is that the court will ask both parties to continue with the interim rate," he says.

For Indian handset makers, this could be just the beginning. There are around 60 of them, their combined market share around 20 per cent. Amit Goel, CEO of research firm Knowledgefaber, notes that Ericsson and Motorola were the pioneers in the mobile phone industry. Hence they hold most of the patents in the field – Ericsson for network and Motorola for hardware. "Ericsson put in place most of the standards for using GSM, EDGE and GPRS investing millions of dollars, so it is only natural for it to seek royalties," says Goel.

While most Indian handset makers refused to comment, Intex Technologies (India) Ltd responded with a statement which suggested it was already negotiating with Ericsson. "Formal communication between Intex Technologies and Ericsson with respect to the patent claimed by Ericsson is under discussion," says the statement from Sanjay Kumar Kalirona, General Manager, Mobile Business, Intex Technologies.

Goel adds it is not possible to avoid Ericsson or Motorola's technologies unless companies invest heavily in research and development and go about re-inventing the wheel. But it is unlikely, in the current competitive environment that Indian firms will pass on the burden of the royalties to customers. "Pricing usually can't be reversed. They will have to cut down on margins or explore cheaper production practices," says Goel. ◆

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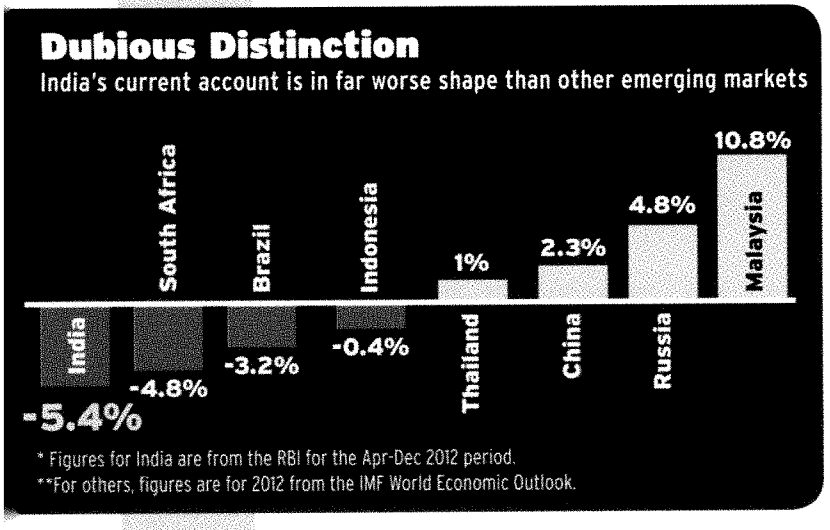
From Gap to Abyss

Why the current-account deficit has ballooned to record size, and the danger this poses. By N. MADHAVAN

Finance Minister Palaniappan Chidambaram has been touring the globe for the past few months. In January, he was in Hong Kong, Singapore, London and Frankfurt. He visited Dubai at the end of March and headed for Japan in early April. His agenda everywhere was to reinforce India's commitment to reforms and attract investment. The urgency in trying to woo foreign investors is understandable given the widening current-account deficit (CAD), the broadest measure of trade.



The CAD and the fiscal deficit, together called the twin deficits, are among the government's main worries. While the government has managed to rein in the fiscal deficit, the CAD is ballooning. The gap touched a record 6.7 per cent of gross domestic product in the third quarter ended December 2012. This is against 5.4 per cent in the previous three months and far higher than the Reserve Bank of India's (RBI) comfort level of 2.5 per cent. For the nine months through December, the deficit is at 5.4 per cent compared with 4.1 per cent a year earlier. In absolute terms, the gap rose to $71.7 billion for the nine-month period from $54.6 billion.

"A high CAD makes us vulnerable as the external environment becomes uncertain," says D.K. Joshi, Chief Economist at ratings firm CRISIL. "We need strong capital inflow to fund this deficit and in today's environment it is risky. We need to correct the problem."

Why is the widening gap a cause for concern? A sustained high CAD will hurt the rupee. A weak rupee will make imports costlier, further exacerbating the CAD. The high deficit will also hamper the RBI's ability to lower interest rates. The main reason for the widening CAD is the growing trade deficit, fuelled by a surge in oil and gold imports. The two commodities account for nearly 40 per cent of the country's import bill.

Precious little can be done to rein in crude oil imports. But many say that gold, seen as a hedge against high inflation, is an unproductive expense. "We import 40 per cent of global gold production. We do not need that much gold," says M.R. Sivaraman, a former revenue secretary, suggesting gold imports be banned for six months. In a recent Google Hangout chat, Chidambaram said the CAD would shrink by half if India stopped importing gold for a year. In Japan, he said the government and RBI were working on inflation-indexed financial instruments to reduce the clamour for gold.

So far, the government has been able to finance the deficit with the help of foreign capital flows. This is again a matter of concern because this capital is coming mainly as portfolio investment, which is volatile, and not as the more stable foreign direct investment (FDI). According to RBI data, FDI in the nine months through December fell to $15.3 billion from $20.7 billion a year earlier. Portfolio investment surged to $14.6 billion from $3.2 billion during the same period.

Experts say the government should take measures to boost exports as well as raise fuel prices and open up mining of coal and iron ore to attract foreign investment and control the deficit. "Only strong measures will restore confidence in India among foreign investors," says Sivaraman. ◆

A WIDE CURRENT-ACCOUNT GAP WILL HURT THE RUPEE AND ALSO HAMPER THE RBI'S ABILITY TO LOWER INTEREST RATES

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OF HUMAN FAILINGS

On human development indicators, India's record remains lamentable. It is still way behind most countries, including the other BRIC (Brazil, Russia and China) nations and much of the cohort of emerging economies. However, the latest Human Development Report of the United Nations Development Program (UNDP) says the country has shown some improvement.

Maternal Mortality Ratio*

5 Japan	7 Norway
12 UK	21 US
34 Russian Federation	37 China
56 Brazil	200 India

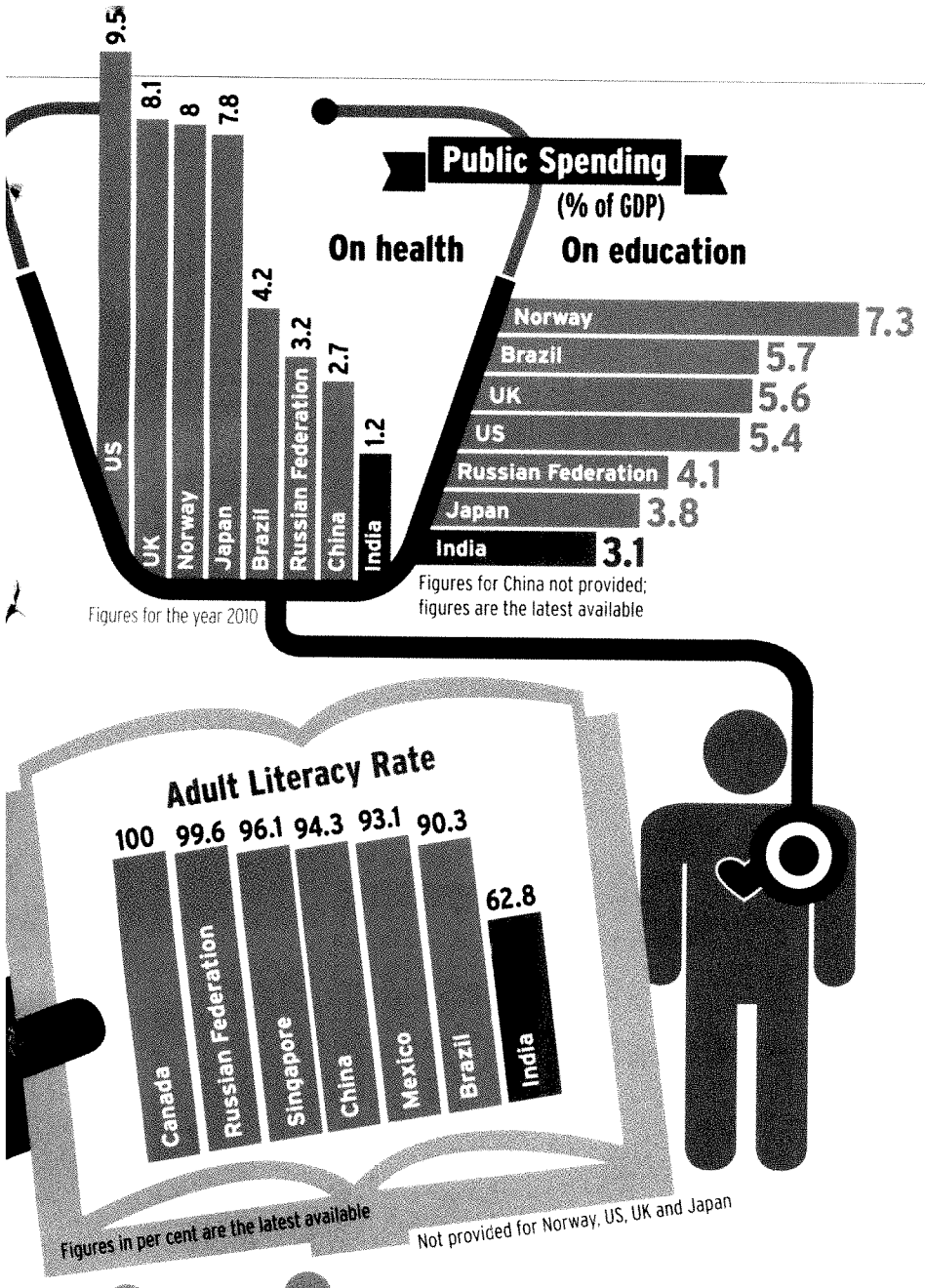
*Ratio of the number of maternal deaths per 100,000 live births; figures for the year 2010

Human Development Index Rank 2013

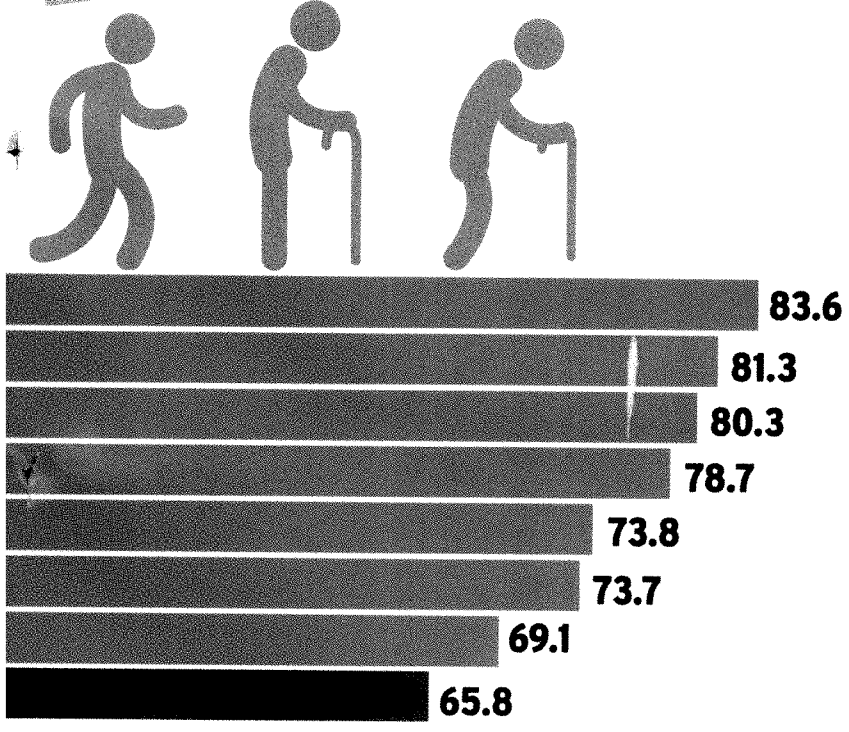
Norway	1
US	3
Japan	10
UK	26
Russian Federation	55
Brazil	85
China	101
India	136

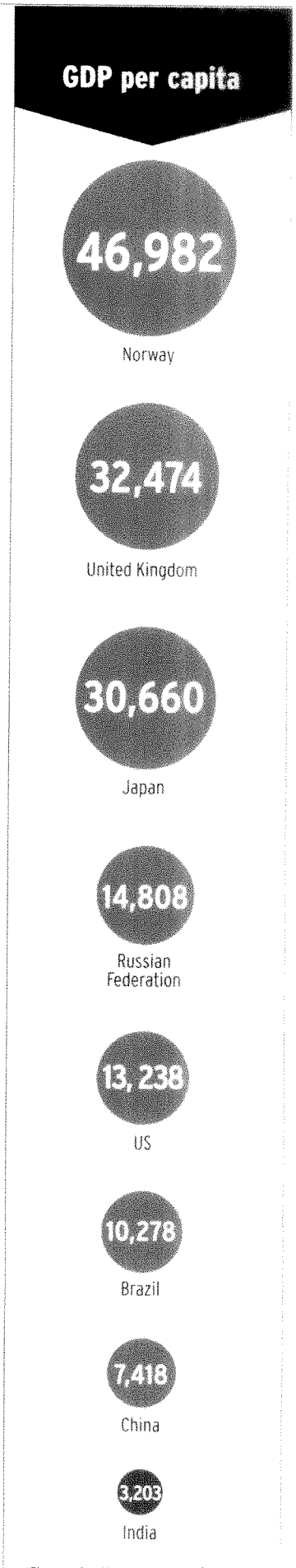
Life Expectancy* at Birth

- Japan
- Norway
- UK
- US
- Brazil
- China
- Russian Federation
- India


Public Spending
(% of GDP)
On health
On education
US 9.5
UK 8.1
Norway 8
Japan 7.8
Brazil 4.2
Russian Federation 3.2
China 2.7
India 1.2
Norway 7.3
Brazil 5.7
UK 5.6
US 5.4
Russian Federation 4.1
Japan 3.8
India 3.1
Figures for the year 2010
Figures for China not provided; figures are the latest available

Adult Literacy Rate
Canada 100
Russian Federation 99.6
Singapore 96.1
China 94.3
Mexico 93.1
Brazil 90.3
India 62.8
Figures in per cent are the latest available
Not provided for Norway, US, UK and Japan


83.6
81.3
80.3
78.7
73.8
73.7
69.1
65.8


GDP per capita
46,982
Norway
32,474
United Kingdom
30,660
Japan
14,808
Russian Federation
13,238
US
10,278
Brazil
7,418
China
3,203
India
(Figures for the year 2011 in $, adjusted for purchasing power parity)

Loud and Clear

Phone docks and sounds bars are becoming more popular than traditional music systems, thanks to their size and the multiplicity of connectivity options they offer. The Portronics Pure Sound Pro is a battery-powered portable soundbar that can play music from any of your mobile devices. It also has an in-built FM tuner and can play directly from an SD card or USB drive. The FM tuner is pretty good with a scanner and has a music quality as good as MP3. Though the company claims the USB cable is good for both power and transmission, it works only if the PC is not connected to another sound output. But the Pure Sound Pro has really good sound and can the volume can be cranked up, if needed. The Turbo Bass is impressive and make this one stand apart from other devices in this price range.

Plays FLAC/APE
Design, size

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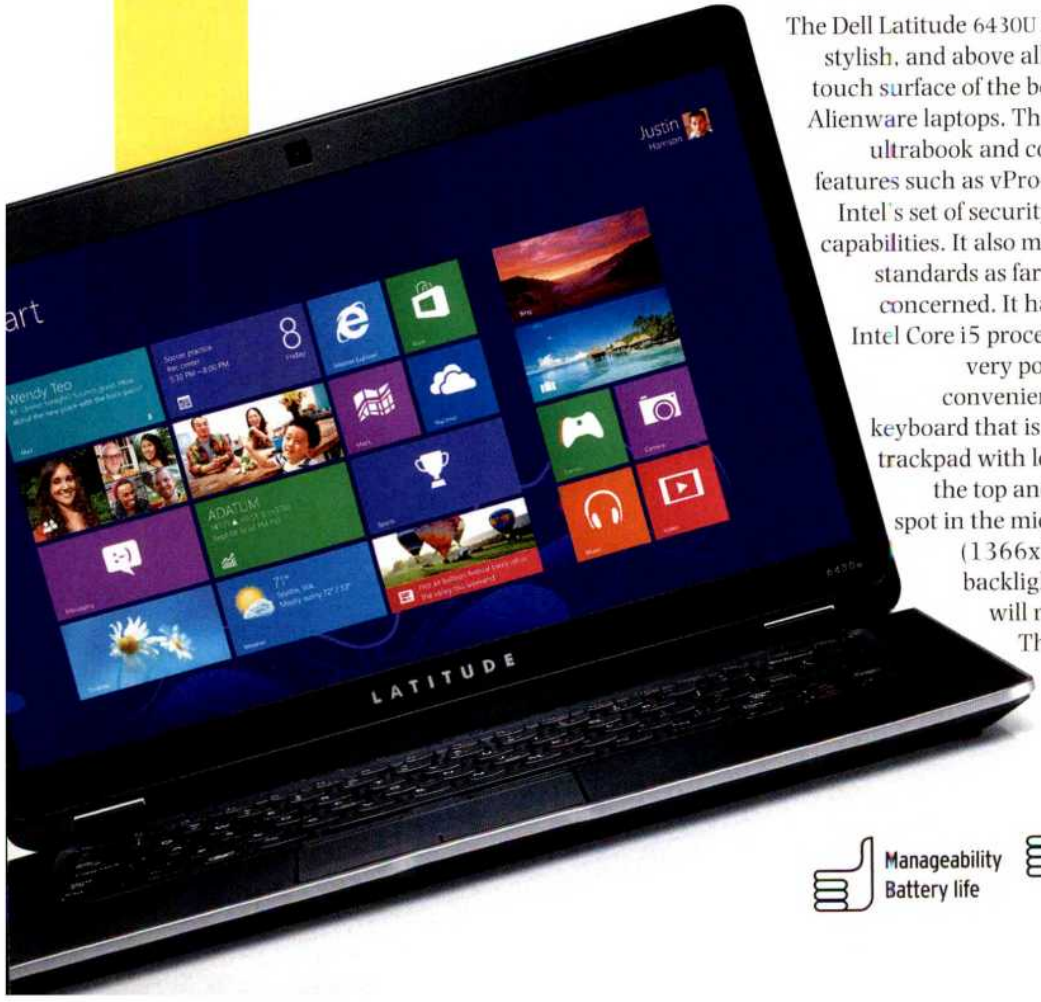
No equaliser

Portronics Pure Sound Pro **Price:** ₹3,4

A SUPERB SOUNDBAR AND AN ATTRACTIVE BUSINESS ULTRABOOK

Dell Latitude 6430U **Price:** ₹69,9

Business and Pleasure



The Dell Latitude 6430U is sleek, lightweight stylish, and above all, powerful. The soft touch surface of the body is a bit like Dell' Alienware laptops. The 6430U is a busines ultrabook and comes with enterpris features such as vPro-enabled, along wit Intel's set of security and manageabilit capabilities. It also meets best complianc standards as far as data protection i concerned. It has a third generatio Intel Core i5 processors that makes it very powerful device, and convenient to use, thanks to keyboard that is spill resistant, a rai trackpad with left/right keys both a the top and bottom and a trac spot in the middle. The 14-inch H (1366x768) Anti-Glare LE backlight screen is good an will not cause eye fatigu There are also a host ports around th edges of the devic

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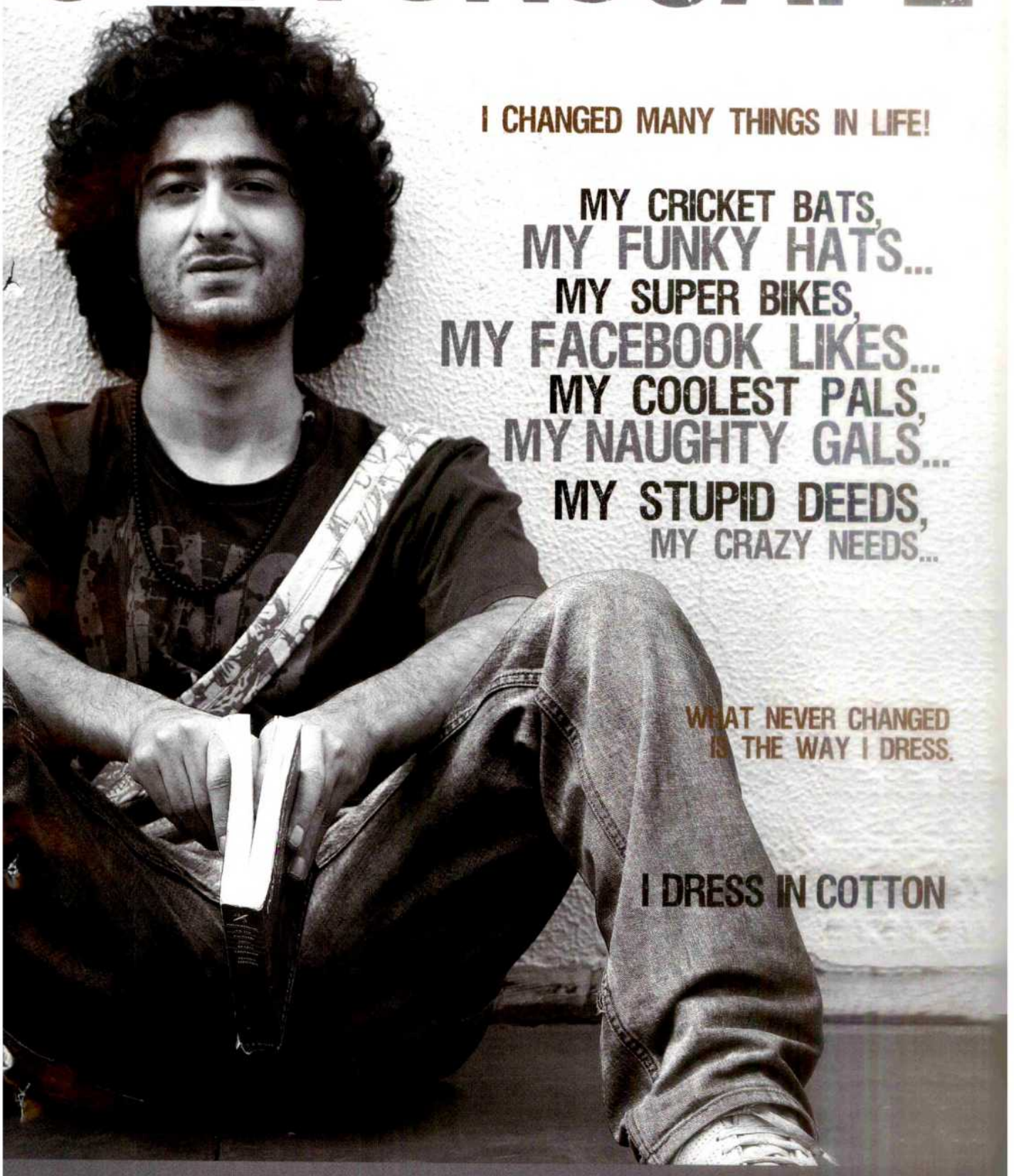
Manageability
Battery life

Just 128 GB stora
Sound not so grea

COTTONSCAPE



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YANNOS PAPANTONIOU

A Global "New Deal"?

For domestic demand to act as an engine of growth, policies should shift resources from investment to consumption

The International Monetary Fund's belated admission that it significantly underestimated the damage that austerity would do to European Union growth rates highlights the self-defeating character of "orthodox" recipes to address the causes of the debt crisis that followed the financial crash of 2008/09.

Conventional theory suggests that a single country (or group of countries) consolidating its finances can expect lower interest rates, a weaker currency, and an improved trade position. But, because this cannot happen for all major economies simultaneously – one country's (or group of countries') austerity implies less demand for other countries' products – such policies eventually lead to beggar-thy-neighbour situations. Indeed, it was this dynamic – against which John Maynard Keynes fought – that made the Great Depression of the 1930s so grim.

TODAY'S PROBLEMS ARE COMPOUNDED BY A LACK OF PRIVATE DEMAND – PARTICULARLY HOUSEHOLD CONSUMPTION – IN THE ADVANCED ECONOMIES

Today's problems are compounded by a lack of sufficient private demand – particularly household consumption – in the advanced economies to compensate for demand losses stemming from austerity. During the last two decades, consumption drove these countries' economic growth, reaching historically high GDP shares.

Moreover, major advanced economies, such as the United States, Germany, and Japan, face longer-term fiscal problems in the form of ageing populations or oversize welfare states, limiting their capacity to contribute to demand management. Recent moves to ease monetary policy have been a step in the right direction; but, so far, they have not proved to be a game changer.

For domestic demand to act as an engine of growth, policies should shift resources from investment to consumption. While the magnitudes involved are huge, they must be attained if an extended period of low growth, high unemployment, and declining living standards among the world's poorest is to be avoided.

International economic policy coordination should be significantly strengthened in order to deal effectively with changes on such a scale. Start with Europe. It is by now patently obvious that austerity and domestic reforms are not enough to pull the eurozone's periphery out of deep recession. Growing awareness of the failure of current policies is causing social discontent, civil disorder, and political instability, with the recently-concluded Italian elections and the growing popular resistance to Greek reform efforts serving as a bellwether.

Returning the eurozone's peripheral economies to the path of growth requires more than structural reforms and fiscal consolidation. It also requires a substantial reform of the monetary union's system of economic governance, aimed at restoring financial stability and lowering borrowing costs, together with a boost in external demand in order to compensate for the effects of austerity.

Reforming governance implies significant progress towards economic unification: centralising European debt through Eurobonds, mobilising sufficient rescue funds, allowing the European Central Bank to intervene in the primary bond markets, and establishing both a fiscal and a banking union.

This is a tall order, in view of the reluctance of most EU member states to cede competencies to

European institutions. But Europe should move more decisively in this direction. Otherwise, speculation on member states' national debt will persist, keeping borrowing costs at levels that are inconsistent with the conditions required to sustain economic recovery.

Concerning external demand, intra-European help in the form of reflationary policies in stronger economies is unlikely to prove sufficient, owing primarily to the fiscal and political conditions prevailing in Germany. Implementing a Marshall Plan-type initiative by mobilising EU budget resources and additional lending by the European Investment Bank to finance investments in weaker countries could be an alternative, but it lacks political support.

On a global scale, neither the US nor Japan is in a position to provide significant external stimulus. Only the emerging and developing economies of Asia could effectively contribute to lifting global demand through a coordinated effort aimed at boosting domestic consumption, which, in turn, would stimulate additional investment. Recent IMF experience suggests that, through appropriate coordination, private funds could be mobilised for big private-public partnership projects linking demand expansion with infrastructure investment.

In other words, a global "New Deal" – combining policies designed to achieve an orderly realignment of consumption and investment worldwide – seems to be required. The advanced economies should promote productivity-enhancing structural reforms with renewed vigour. The eurozone should solidify its currency union. And the emerging and developing economies should support domestic sources of growth.

For such a deal to become possible, certain preconditions must be met. First, international policy coordination by the G-20 must be tightened by creating a permanent secretariat to make policy proposals and recommendations concerning macroeconomic and financial developments. The secretariat should actively cooperate with the IMF to benefit from its analysis, notably regarding exchange rates.

Second, global financial reform must proceed at a faster pace. The financial sector requires tougher regulation, strengthened supervision, and internationally consistent resolution mechanisms to address the problems posed by very large, global institutions that are considered too big (or too complex) to fail. Such reform is essential if the international financial system is to mediate the sizeable resource transfers that will underpin the required changes in the structure of global demand.

Finally, a new trade pact – possibly, but not necessarily, within the Doha Round – is needed to ensure the major trading powers' access to foreign markets. This is critically important for inspiring confidence in Asian countries, which might be persuaded to favour domestic, as opposed to external, sources of demand. Moreover, trade liberalisation will also increase consumer confidence worldwide.

THE DEVELOPING ECONOMIES OF ASIA COULD EFFECTIVELY CONTRIBUTE TO LIFTING GLOBAL DEMAND BY BOOSTING DOMESTIC CONSUMPTION

SANTOSH

The time is right for a new global settlement that targets growth, addresses crisis conditions in certain parts of the world, and rebalances the global economy to set it back on a path of strong and steady growth. ◆

Yannos Papantoniou, a former economy and finance minister of Greece (1994-2001), is President of the Center for Progressive Policy Research.
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BOSS IN THE BEEHIVE

Business tycoons were looking for clues to Rahul Gandhi's economic vision, but he did not go into specifics in his address to the Confederation of Indian Industry. By SEBASTIAN P.T.

Rapt attention: Rahul Gandhi (on stage) addressing the CII gathering. In the foreground amid the audience are leading industrialists (from left to right) Hari Bhartia, Sunil Mittal and Rahul Bajaj

Men with muscular arms held the pressing hordes at bay. The doors were locked early, and many bejewelled and suited protesters waving invitation cards were left stranded outside. Inside the vast hall people squeezed two to a chair, and ambassadors jostled with tycoons and trophy wives, necks craned at the banks of huge screens and the television gantries flanking the stage. It looked like a Grateful Dead concert. But it wasn't. It was a millions-strong audience, across the nation and the social ether, waiting to hear the Dauphin of Indian politics speak, finally, to a business audience – an audience that has been much enamoured of an older man from a rival party who hosts Vibrant Gujarat jamborees and struts his stuff on every available platform, eyes firmly pinned on 7, Race Course Road.

Rahul Gandhi's April 4 speech was replete with his own Discovery of India – the painter from Purvanchal, the carpenters, the mother in a Mumbai slum – and it was interesting to watch how a 42-year-old man, who has never run a government or a company but is unto the manor born, talks familiarly to a group like the Confederation of Indian Industry (CII), beset by falling investment, high interest rates, rising inventories, and looking desperately for the sparkle to fly from some magic wand – and tell them, rather patronisingly, "Over the past couple of years, you have done a tremendous job. The image of India has changed."

Only a couple of years? The Congress party has been in power, aided by coalition partners, for nine years now, and the economy has been listless or moribund for close to a third of that period. But Rahul Gandhi, anointed his party's vice president in January, had not a word to say in more than an hour of earnest speaking about the state of business or the southward drift of major economic indicators. Nor did he draw a map for the becalmed captains of industry listening to him. But the audience was impressed. The heir apparent had spoken in a mixture of young-India argot (the word "boss" cropped up frequently), self-deprecation, some leg-pulling, and many homilies about movement, rising tides, and the importance of exponential (versus incremental) change.

One of the questions many business tycoons in the gathering probably had on their minds was: is Gandhi anti-industry? Until then, the young Congress vice-president had met with villagers, chatted with colleges students and talked to foreign delegates, but he had never

SHEKHAR GHOSH/www.indiatodayimages.com

addressed an industry forum. So, they were looking to his speech for some clues to his economic vision and the direction the economy would take if he became prime minister. His past actions suggested he could be anti-industry, or at least against big business. For instance, in 2008, he supported the tribal people of Orissa's Niyamgiri Hills against a plan by UK-based mining group Vedanta Resources to mine bauxite there. And when farmers in Uttar Pradesh's Bhatta-Parsaul village were fighting for more compensation for land acquired from them to build a highway, Gandhi was at the forefront of their supporters.

But there was another side to Gandhi that confused corporate India. The man seen as prime-minister-in-waiting had pitched strongly for allowing foreign investment in retail when even the rightist Bharatiya Janata Party (BJP) and most regional parties had opposed the move.

Corporate India did breathe easy after Gandhi's 75-minute address. He began by showering praise on business and said it had a huge role in changing the international community's poor perception of India. "I believe that this country cannot move forward without you. I have come here because I want to forge a partnership with you. A long-term partnership to take this country forward," he told the gathering that included industrialists as prominent as Rahul Bajaj and Sunil Bharti Mittal.

When CII President Adi Godrej introduced him as "somebody who spends a lot of time with poor people", Gandhi was quick to break away from being typecast. India could go forward only if there was a partnership between three components – the poor, the middle-class, and business, he said. Gandhi went on to express his faith in industry's capacity to tap the potential of the country's billion-plus population and the entrepreneurial spirit of the youth, saying India was a complex country buzzing constantly like a "beehive". "China is referred to as the 'dragon' and India as an 'elephant'. But we are not an elephant, we are a beehive," he told the meeting.

Gandhi's speech was high on anecdotes, but critics said they had expected a little more elaboration of his own vision for industry. Large sections of the Twitterverse were scathing: one of the top trending topics on Twitter while Gandhi was speaking was #Pappucii. "His talk was too abstract. We expected some kind of a roadmap from him. We got none," said a business executive on condition of anonymity.

In contrast, most business tycoons could not stop gushing. "These were completely new insights," said Bajaj Auto Chairman Rahul Bajaj. "Inspiring," said Sunil Bharti Mittal, Chairman of Bharti Enterprises. "Brilliant ideas," added Adi Godrej, Chairman of the Godrej Group. And according to infotech company Mastek co-founder Ashank Desai: "Rahul Gandhi connected with the industry."

Gandhi's speech was not just about connecting with industry, it was also about winning it over. Predictably, he sought to counter Corporate India's starry-eyed perception of Gujarat Chief Minister Narendra Modi – the BJP's leading prime ministerial aspirant. Although he did not name Modi, he made a veiled jibe. "We have to move away from the idea of the guy on the horse who is going to come charging through and India is going to be fixed," he said. "No individual, Manmohanji or anyone, can fix the problem."

But the one political question Gandhi cleverly sidestepped was: does he want to become India's next prime minister? His answer? "It is all smoke. The only relevant question in this country is how can we give our people voice. It is not important what Rahul Gandhi thinks, it's important what a billion Indians think." ◆

Varied Views

The Twitterverse reacted strongly to Gandhi's address at the CII

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Rahul today attempted his version of "Discovery of India" at CII – and how far the apple has fallen from the tree in 70 years.

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Rahul Gandhi is like a comet. Comes occasionally. Gets attention. Disappears. Eventually, doesn't really matter.

AzmiShabana
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Was happy 2 hear Rahul Gandhi speak of inclusiveness and devolution of power as key factors in India's growth.He didn't seem a reluctant leader.

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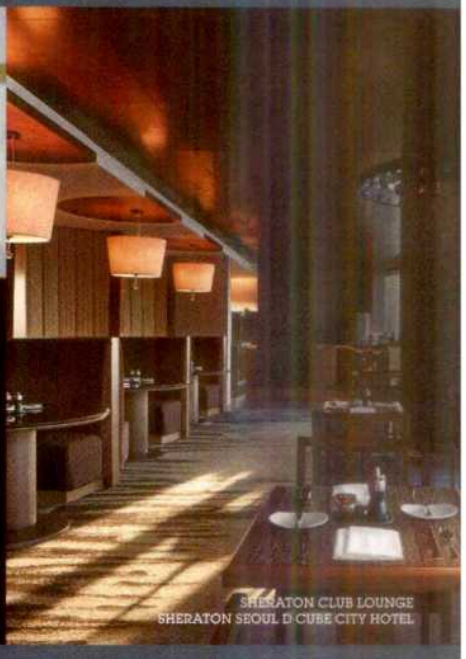

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Poll Dancers, Poles Apart

Who makes a better choice as prime minister: Narendra Modi or Nitish Kumar? Examine their track records. By SEBASTIAN P.T.

ROHIT CHAWLA

VIVAN MEHRA

Trimmed grey beard, salt-and-pepper hair, thin-frame spectacles, chubby cheeks, born within months of each other. The similarities between Narendra Modi and Nitish Kumar end there. Everything else about them is so different that Kumar still regrets sharing a stage with Modi four years ago. But one more thing binds them together. Either could become the Prime Minister in 2014, depending on the way the polls go.

The Bharatiya Janata Party's Modi, of course, has all but thrown his hat in the ring, widening his reach through carefully chosen forums in New Delhi like the Sri Ram College of Commerce and the India Today Conclave. The day after the conclave, Kumar had his own show in the capital, the Adhikar Rally, to seek special status for Bihar, at which he chose to call himself the king-maker. At odds with the National Democratic Alliance, which his Janata Dal (United) is a part of, and as yet coy of embracing the United Progressive Alliance he is too wise to go any further.

But imagine he does go further, imagine Rahul Gandhi forgoes his poison of power, imagine a US-like shootout between Kumar and Modi, who would you vote for? Let us try and make your job easier.

That, by the way, is easier said than done. The two are chief ministers of states as different as their own personalities. Modi's Gujarat is affluent, entrepreneurial, enterprising, industrialised and blessed with the longest coastline of any state. Every bit of Kumar's Bihar lives up to the status he seeks for it: backward.

Not surprisingly, Modi fuels his ambition with talk of development, whereas Kumar, almost intoning the protagonist of *The Dirty Picture* puts his faith in "governance, governance, governance". These are not choices made out of free will; they are products of their milieus.

Gujarat has for decades been

among the most economically developed states. Bihar spent those years hurtling to the bottom, with a generous nudge from the Lalu Prasad-Rabri Devi franchise.

In 2005, the year Kumar started his second attempt at governing Bihar – he was chief minister for a week in 2000 – you would have struggled to find company on the streets of Patna after dark. Shops' shutters went down with the sun, not because of a power outage. Even the two most successful professionals in the state, doctors and lawyers, would own only small cars, not out of fear of a tax raid. And families would not dream of watching late night shows in theatres, and not because children had to hit the bed early.

Only the so-called *bahubalis* would celebrate their success with a show of wealth or be out having fun after dark. Roads were counted in potholes and the description of governance as jungle raj was only a slight exaggeration.

The bifurcation of the state in 2000 had put all natural resources in Jharkhand. Industrial ventures had either closed or moved out of the state. "In 2004, the proposed investments in Bihar constituted a mere 0.1 per cent of the total investments in the country," says Rajesh Chakrabarti, Executive Director of Bharti Institute of Public Policy at the Indian School of Business, Mohali.

Kumar brought back the rule of law. He appointed hand-picked officers, armed with a clear brief and a free hand. There was to be zero tolerance of crime and arrests would lead to convictions. Now, you can find life in Patna even after sunset. And why only Patna, even the hinterland throbs with activity.

About 3,500 km of roads were built in 2009/10 alone, compared to less than 400 km in 2004/05. Bidding processes were streamlined. A carrot-and-stick policy made contractors deliver. The state grew at an average of 11.7 per cent between 2006 and 2012. Some critics call it "catch-up" growth, but even they did not expect the turnaround.

There has been a huge jump in the number of people visiting healthcare centres. The child immunisation ratio is better than the national average. About 200,000 temporary teachers were appointed to fill the shortage in primary schools; it is a different thing that they are now agitating for permanent status. Big industries have started to look at Bihar for investments.

But, for now, they are doing no more than looking. The power sector remains a non-starter with few coal-

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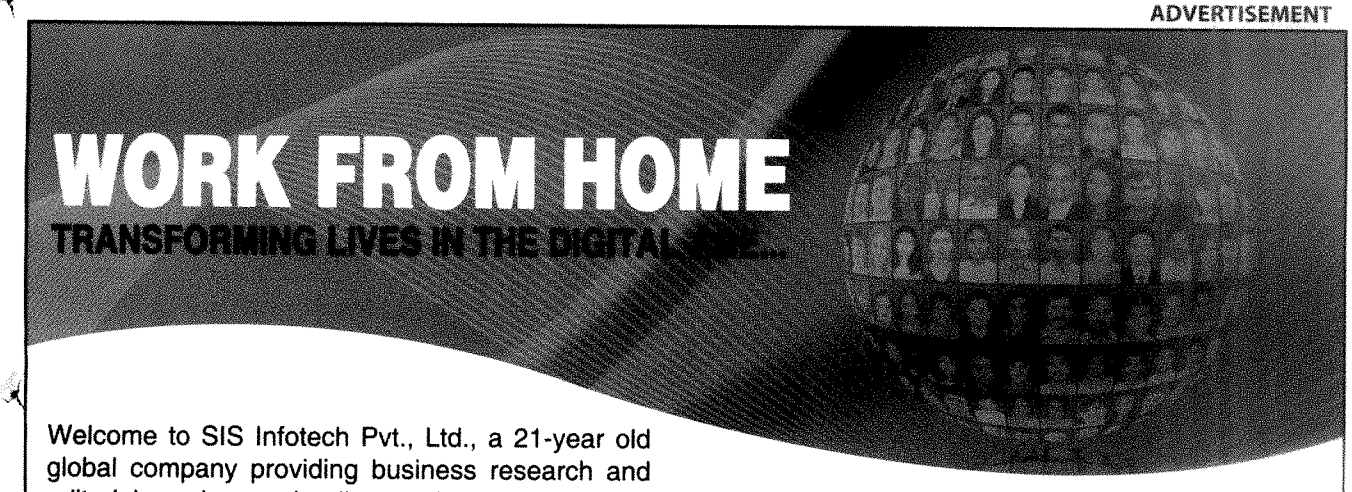

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37.22%	7.95%	Upper Primary School dropout rate	74.69%	55.14%
66,068	2,005,000	Investments (₹ cr)	40,730	319,000
4,888MW	23,437MW	Installed Power Capacity	598MW	1,850MW

Source: Bihar Economic Survey 2012/13 Gujarat Socio-Economic Review 2012/13 Central Electricity Authority

*Poverty Rate for 2009/10
**Literacy Rate for 2001

linkages. Other sectors have not taken off either. Perhaps Kumar thinks getting special category status for Bihar, which enables greater incentives, will attract private investment. For now, though, his concerns are delivering the basics to the common man: better health-care, education, infrastructure and, of course, rule of law.

All of those would be important to Modi, but none would occupy too much of his time. Gujarat went beyond those ages ago, despite an unusual period of sharp fall in growth between 1998 and 2002 due to droughts and an earthquake.

Modi replaced Keshubhai Patel as Chief Minister in October 2001. His reputation as chief minister suffered its biggest blow right in the beginning, with the handling of the post-Godhra riots in 2002. "Modi had to find a good way to cover his tracks for the administrative failures in preventing the post-Godhra riots. He found that focusing on industrialisation and governance would provide him dividends," says Ashish Nandy, a political psychologist with the Centre for the Study of Developing Societies.

The dividends are coming. At the Vibrant Gujarat Summit in February, a bevy of industrialists seemed to be putting money on Modi, heaping unabashed praise on him. Indeed, Modi has been a big hit with big business. In contrast, Kumar hangs on to his socialistic moorings and prefers not to be seen as close to big industrialists. "Narendra Modi's development model is pro-industry," says Sebastian Morris, who teaches at the Indian Institute of Management, Ahmedabad.

At the India Today Conclave, Modi enunciated his economic views clearly. "The government has no business to be in business," he said, and added that even the Railways should be privatised. A minute or so into his speech, he paused to screen a documentary. The first item in it was about how Gujarat had turned around its agriculture, which he claimed grew at an average of nine per cent over 10 years, while the figure for the country was 3.2 per cent.

The biggest contributor to this turnaround, which the documentary may have been too short to capture, was the Sardar Sarovar Dam, originally conceived by Sardar Vallabhai Patel and worked upon by several governments. Its waters began to flow only in 2001, ending the spell of droughts. When Modi speaks about Gujarat being the leader in milk production, he forgets to mention the role played by Verghese Kurien in Anand, over decades.

To Modi's credit, the power scenario has improved dramatically. The restructuring of the state electricity board took it from losses of ₹2,543 crore in 2001 to a profit of ₹624 crore 10 years later. Overall, the state has grown at an average of 11 per cent between 2002 and 2012. Bakul Dholakia, Director of the Adani Institute of Infrastructure Management in Ahmedabad, says poverty levels dropped from 31 per cent in 2004/05 to 23 per cent by 2009/10. Still, Gujarat has a poor record on certain social indicators. The UNICEF website's profile of Indian states, for instance, says almost every second child below five in Gujarat is undernourished.

Indeed, some see Modi's success as a triumph of style. Investors point out that they do not even have to meet, say, the state's industry minister for approvals. Can future chief ministers of Gujarat replicate this? "Modi's governance model has quicker decision-making. But it is authoritarian," says Morris. Modi has always worked as the head of a majority government. Kumar, on the other hand, has shimmied adroitly through coalition calculations, a skill that may come in handy in 2014.

Unlike Kumar, who has held at least three portfolios at the Centre, Modi has not held an office outside his state. For context, five chief ministers have gone on to become Prime Ministers. Of them, Morarji Desai, Charan Singh, Viswanath Pratap Singh and H.D. Deve Gowda led unstable governments that did not last a full term. And the one who did last the distance, P.V. Narasimha Rao, was not really a star chief minister.

So, if that shootout did indeed take place, would you be any the wiser? ◆

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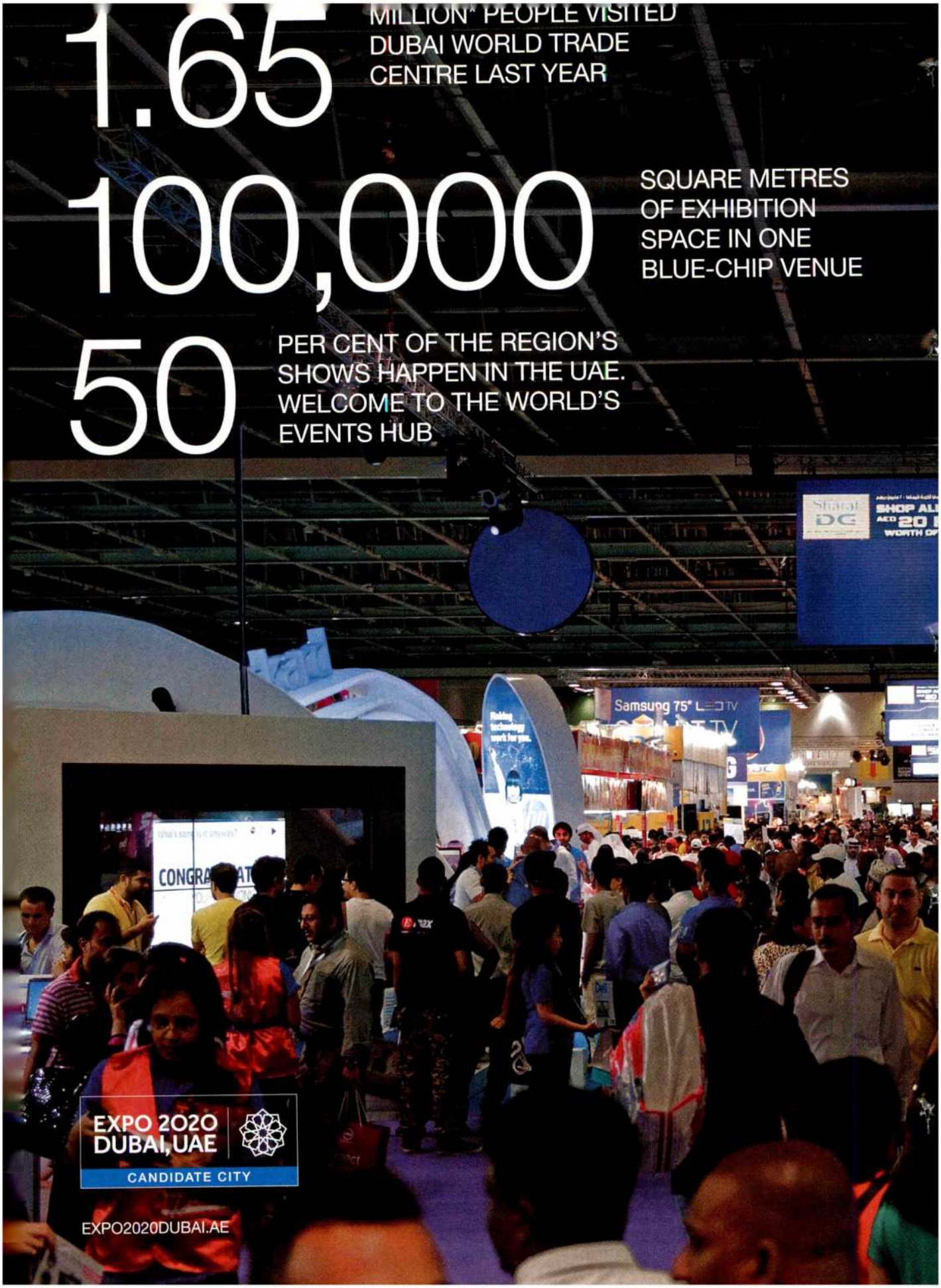
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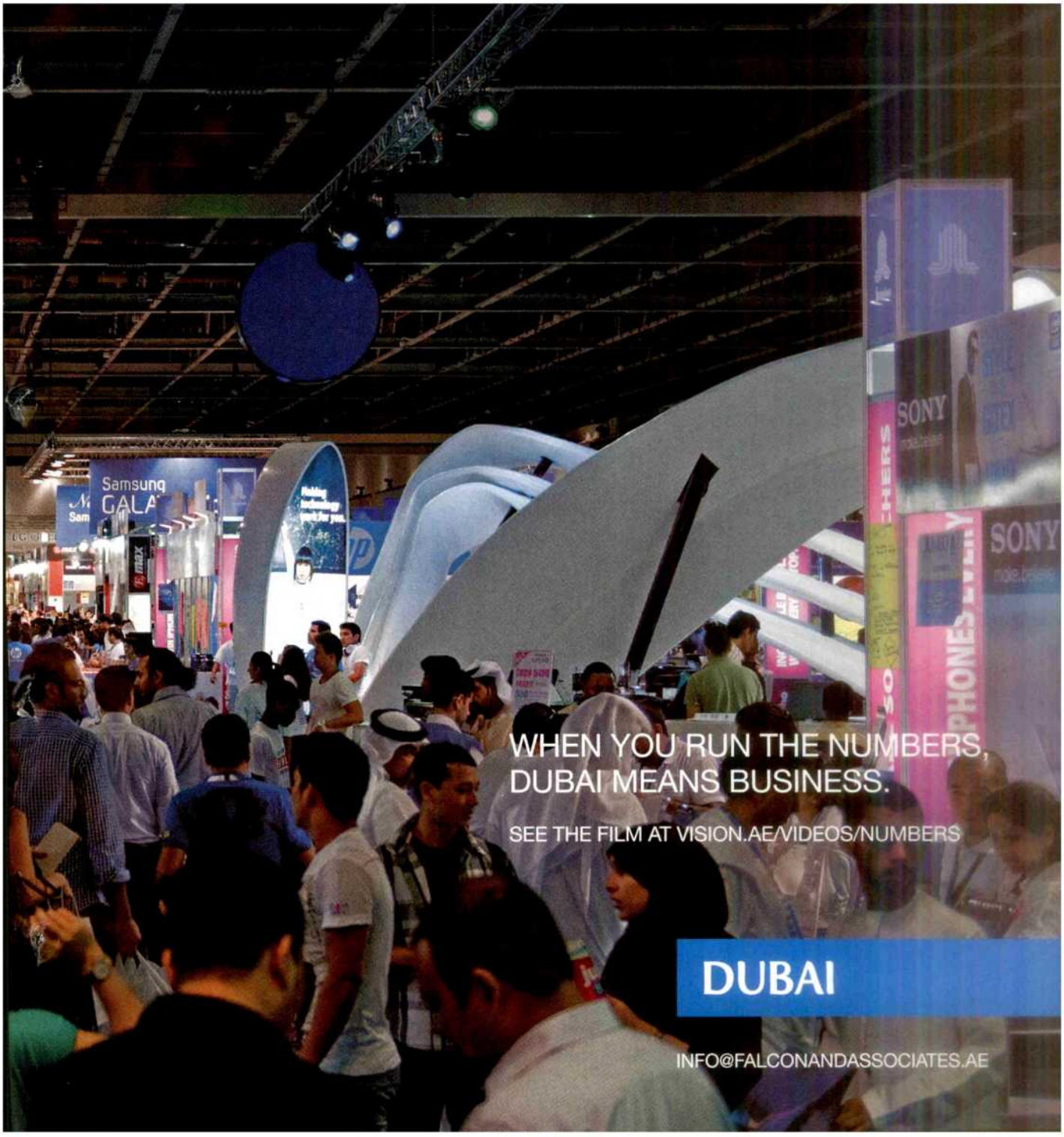
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Expect More Sunshine

The grey clouds may not have disappeared, but optimism has risen for the third quarter in a row, finds the latest *Business Today*-C *fore* Business Confidence Survey.

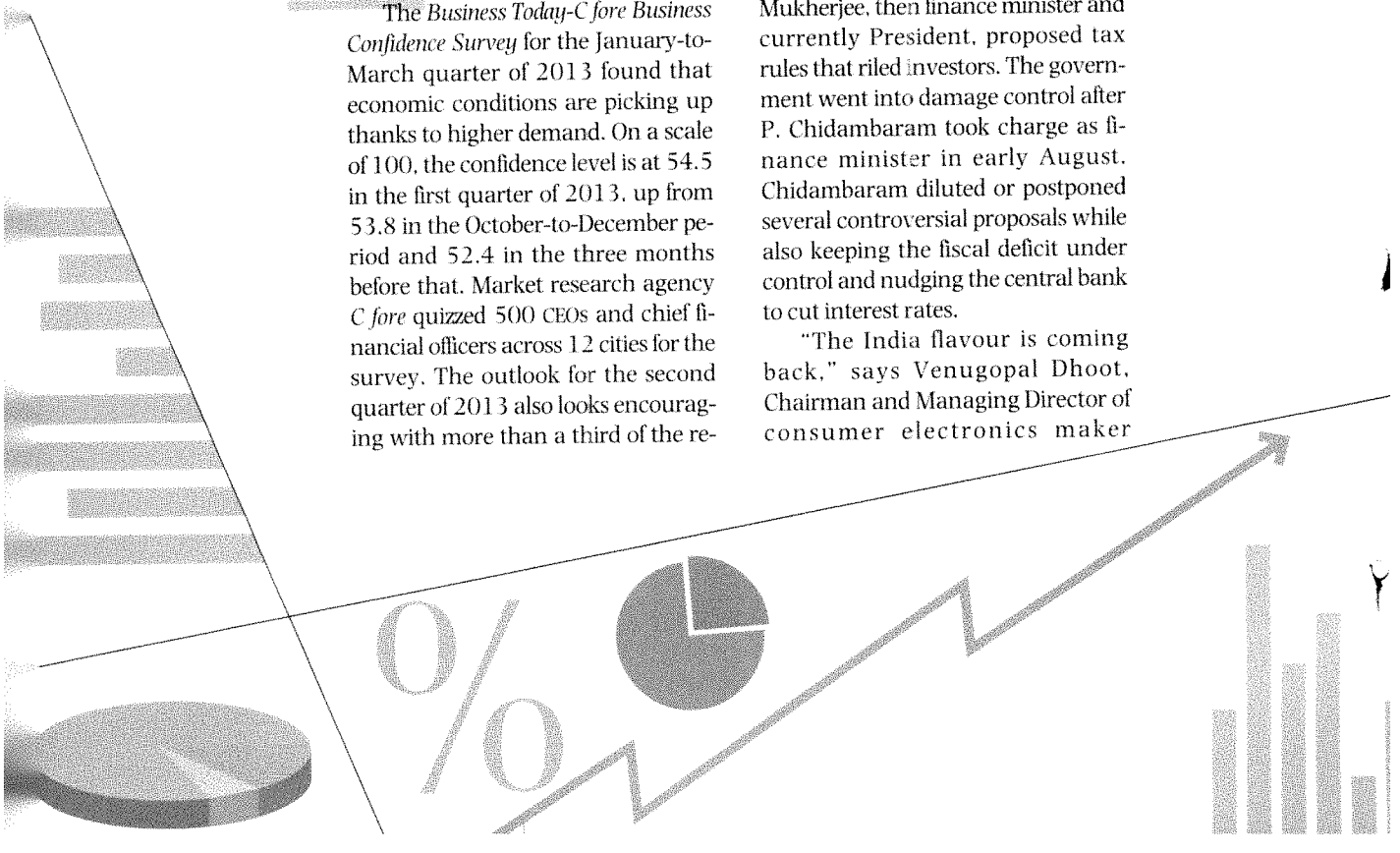
By MANU KAUSHIK

The financial year that just ended was tumultuous for the economy, but business is now slowly taking a turn for the better. A government trying hard to revive the economy, moderating headline inflation, and softening interest rates have helped improve business sentiment for the third successive quarter.

The *Business Today*-C *fore Business Confidence Survey* for the January-to-March quarter of 2013 found that economic conditions are picking up thanks to higher demand. On a scale of 100, the confidence level is at 54.5 in the first quarter of 2013, up from 53.8 in the October-to-December period and 52.4 in the three months before that. Market research agency C *fore* quizzed 500 CEOs and chief financial officers across 12 cities for the survey. The outlook for the second quarter of 2013 also looks encouraging with more than a third of the respondents expecting better prospects.

Business Today started the survey in 2011. From a high of 74.8 in the quarter ended March 2011, business confidence fell steadily, picking up only in the first quarter of 2012, ahead of the Budget. But confidence levels plunged again in the April-to-June period of 2012 after Pranab Mukherjee, then finance minister and currently President, proposed tax rules that riled investors. The government went into damage control after P. Chidambaram took charge as finance minister in early August. Chidambaram diluted or postponed several controversial proposals while also keeping the fiscal deficit under control and nudging the central bank to cut interest rates.

"The India flavour is coming back," says Venugopal Dhoot, Chairman and Managing Director of consumer electronics maker



Videocon Industries. "Chidambaram's recent visits to Asian and European countries to revive global investors' faith in the Indian economy will bear fruit soon," he adds.

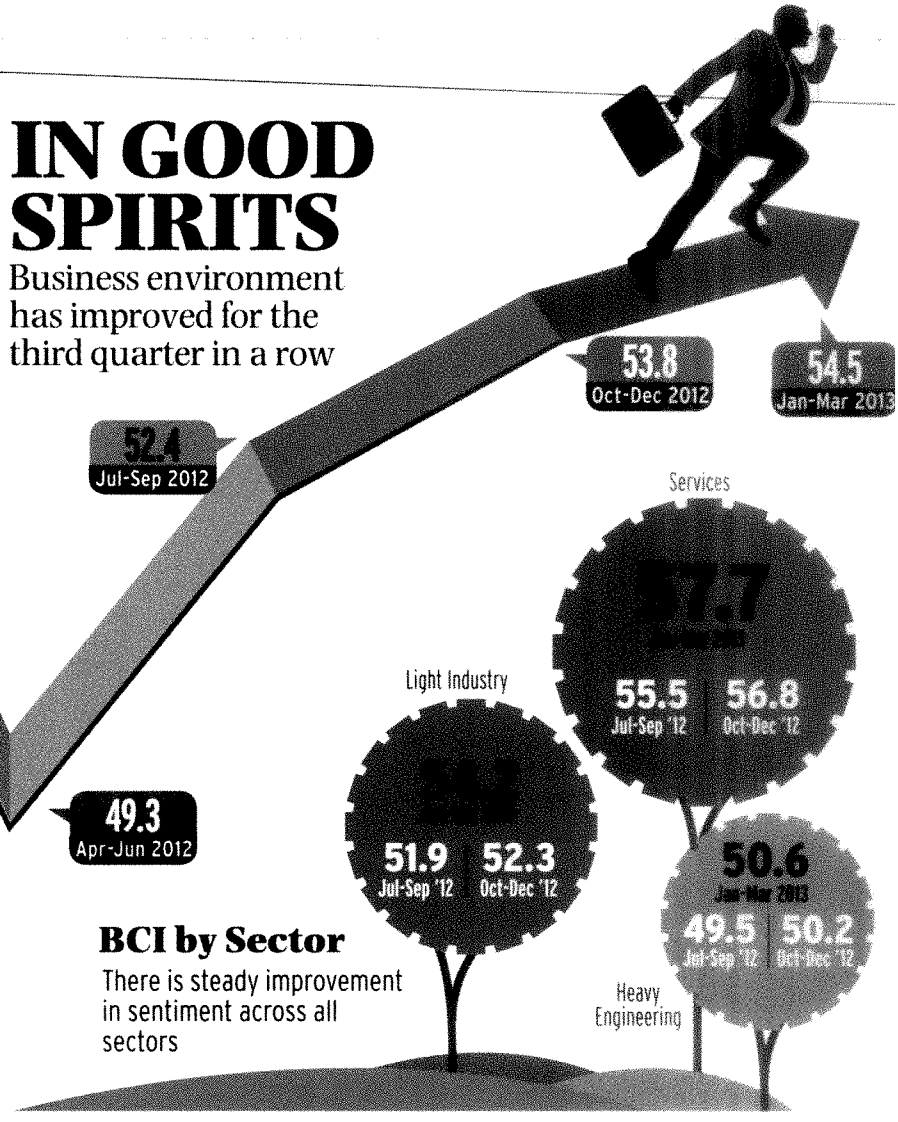
During his visits before the Budget in February, Chidambaram promised to bring India back on the fiscal consolidation path. He delivered on the promise in the Budget, and also refrained from announcing any populist measures in the run-up to the general elections due by May 2014. According to the business confidence survey, 45 per cent respondents feel the Budget will have a positive impact on their companies in the current quarter. Only 17 per cent say the Budget will hurt them.

The survey shows that while 29 per cent expect their business prospects to worsen during the quarter through June compared with the previous three months, 39 per cent expect an improvement. Siddhartha Roy, economic adviser at the Tata Group, says recent government steps have revived sentiment. In the past two months, the Cabinet Committee on Investment has cleared projects worth ₹74,000 crore which were stuck at various stages of approvals. This includes projects in the all important sectors of power, infrastructure, and oil and gas.

No doubt, slow economic growth remains a matter of concern for businesses. In early February, the Central Statistical Office projected

IN GOOD SPIRITS

Business environment has improved for the third quarter in a row

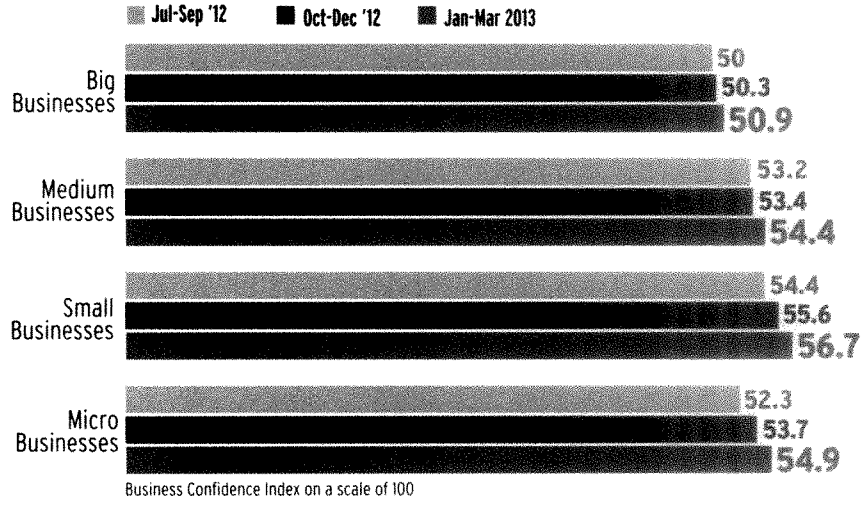


BCI by Sector

There is steady improvement in sentiment across all sectors

BCI by Size

The optimism is shared by businesses of all sizes



Business Confidence Index on a scale of 100

"Economic reforms are no longer a matter of choice. They are essential"

SAMIRAN CHAKRABORTY
Regional Head of Research, South Asia, Standard Chartered Bank

gross domestic product growth for 2012/13 at five per cent, the lowest in a decade. The forecast was lower than the finance ministry's estimate of 5.7 per cent. Roy says the government needs to create the right environment for the next stage of growth. "Either consumption or domestic investment has to go up," he says. "We tried to increase consumption through various social security schemes but these led to fiscal profligacy and inflation. The long-term solution is to increase investments."

Samiran Chakraborty, Regional Head of Research for South Asia at Standard Chartered Bank, agrees. "Economic reforms are no longer a matter of choice. They are essential," he says. Chakraborty expects the government to take more decisions at the executive level – rather than wait to go through the legislative route – in areas such as allowing foreign direct investment in some sectors, resolving power tariff issues, cutting fertiliser subsidy, and creating a regulator for the roads sector.

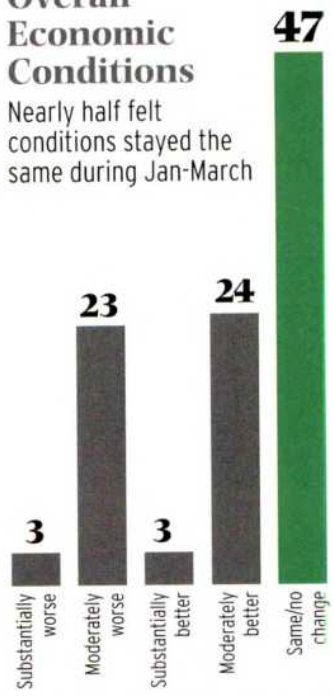
The March 19 rate cut by the Reserve Bank of India (RBI) has also enthused companies. Nearly a third of the respondents to the survey expect to benefit from the reduction in rates by a quarter-percentage point. "The RBI's decision was aptly timed to revive industry's confidence," says

ROAD TO RECOVERY

The business scenario improved in the January-March 2013 period over the previous quarter

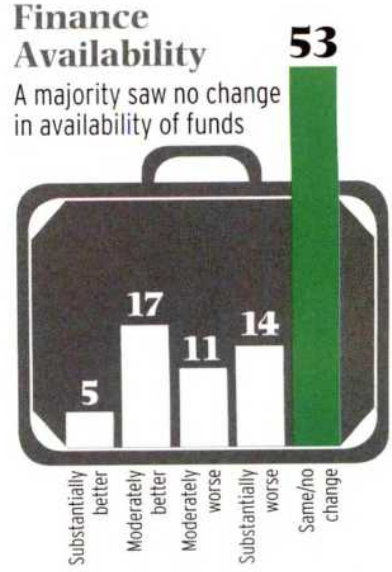
Overall Economic Conditions

Nearly half felt conditions stayed the same during Jan-March



Finance Availability

A majority saw no change in availability of funds



Demand Conditions

Over a third said demand improved

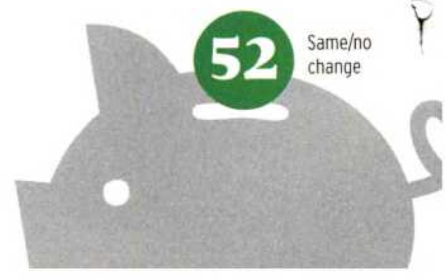
Hiring Conditions

More than a quarter said hiring conditions improved

Figures indicate percentage of respondents

Profit Margins

A majority felt profit margin stayed the same



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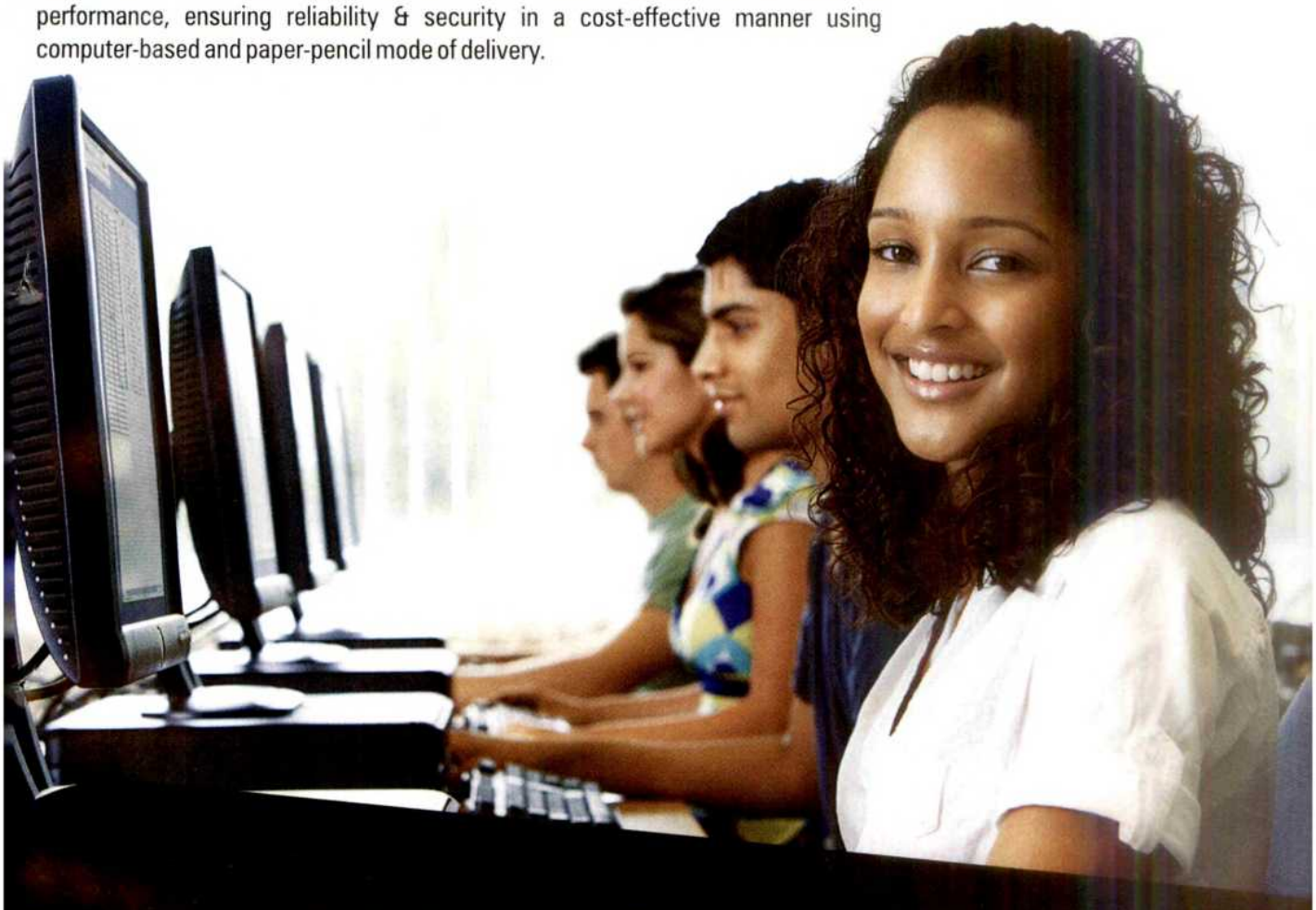

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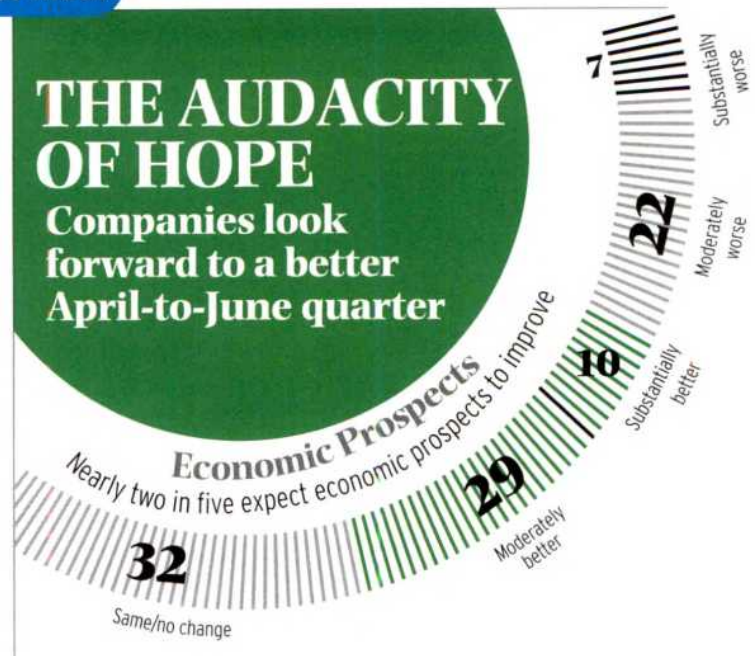
"The finance minister's recent visits to Asian and European countries to revive investors' faith will bear fruit soon"

VENUGOPAL DHOOT
CMD, Videocon Industries

THE AUDACITY OF HOPE

Companies look forward to a better April-to-June quarter



Naina Lal Kidwai, Country Head of HSBC India and President of the Federation of Indian Chambers of Commerce and Industry.

Still, many feel the central bank needs to ease monetary policy further. "On large borrowings, the interest rate is still too high at 10 to 11 per cent," says Ravi Jaipuria, Chairman of Delhi-based diversified conglomerate RJ Corp. "Interest rates should be brought down further to encourage companies to invest." Kidwai says, however, that bank lending rates will fall only when deposit rates do.

The RBI is likely to cut interest rates by another 50 basis points by the middle of this year, Barclays Capital said in a March 26 note. That may not help much, though. StanChart's Chakraborty says Indian companies are extremely overleveraged. "They will first try and restructure their balance sheets before borrowing fresh capital," he adds.

The survey shows also that about a third of the respondents feel demand conditions will get better. Jaipuria says shrinking profit margins are not a concern if demand stays healthy. "As long as the top line is growing, other things will fall into place. We registered double-digit growth in the past year," he adds.

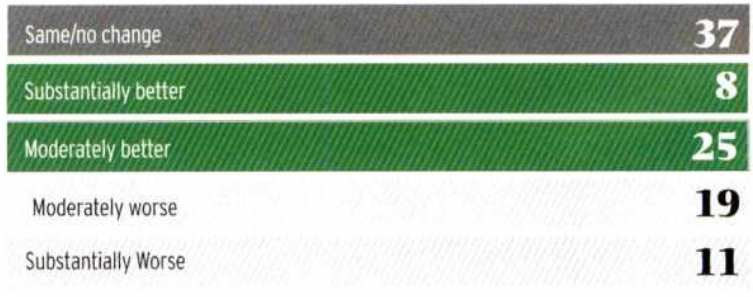
Not everyone is hopeful. In the absence of any major investment plans, hiring activity is expected to be

Overall Financial Situation

More than a third expect improvement

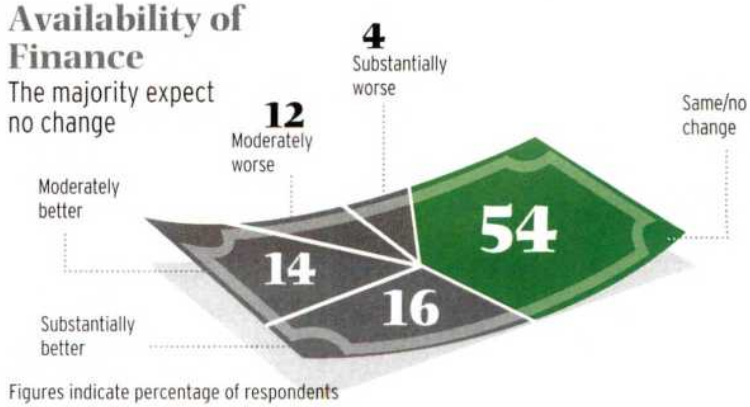
Production Levels

A third expect output to increase



Availability of Finance

The majority expect no change



Figures indicate percentage of respondents

HP takes strong action against the counterfeit toner cartridges in India.

Counterfeit cartridges are either remanufactured, refilled or available as compatible cartridges, and illegally packaged to resemble genuine HP cartridges. HP views this as a serious threat to itself and the interests of its customers, and is actively pursuing action against parties who manufacture or sell counterfeit products. To protect and safeguard its customers, HP runs a Global Supplies Anti-counterfeit program (ACF) to raise awareness among partners, customers and local authorities. One of the objectives of the program is to ensure that the stocks maintained by HP's wholesale and commercial partners are counterfeit-free through random inspections and audits conducted.

Counterfeit Seizures

HP Anti-counterfeit team boosted its drive against counterfeiting in the first half of 2013. From January 1st to February 20th, 2013, various raids across India were conducted by the police, whereby counterfeit ink and toner supplies worth USD 1, 31,209.4 were seized, along with packages, labels, machines and equipment. The raids also lead to approximately 80 people being arrested for indulgence in counterfeiting.

Some of the raids conducted, covered the following locations in the cities mentioned below:

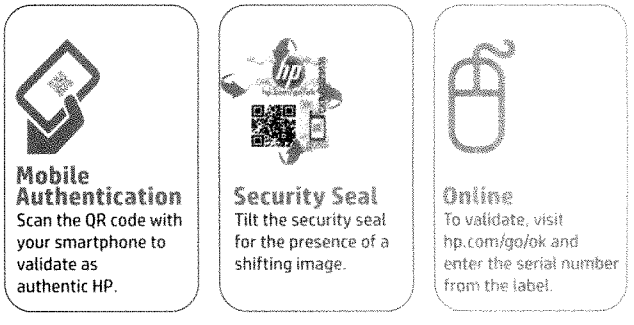
Ahmedabad:	Ellisbridge
Bengaluru:	Kamanahalli/Banaswadi, Ulsoor/Domlur, Sampangirama & SP Road.
Bhopal:	M.P. Nagar & Bankari Kolar Road
Bhubaneshwar:	Saheed Nagar
Chennai:	Ammaiyappan Street, Aziz Mulk Street, Teynampet, Nugambakkam/Egmore, Pudupet/ Royapettah, Mount Road, Thousand Lights, Antony/Thiruveedhian Street, Arumugam Street/Royapettah
Daman:	Somnath
Ghaziabad:	Shiva Tower
Goa:	Panjim
Hyderabad:	Vanasthalipuram, CTC Complex – Secunderabad & Ameerpet
Indore:	RNT Marg
Jaipur:	Nehru Place
Jhansi:	Manik Chowk
Kanpur:	Somdutt Plaza
Kolkata:	Anukul Chandra Street, Radha Bazaar, Metcalfe Street, Pollock Street & Waterloo Street
Lucknow:	Faizabad Road
Mumbai :	Nariman point, Ghatkopar, Malad, Lower parel, Kopar Khairane, Panvel, Vashi & CBD Belapur
Nagpur:	Sadar Bazar & Lokmat Bhawan
Nashik:	Ashok Stambh
Noida:	Prem Palace, Sector 27
Pune :	Sadashiv Peth & Shukrawar Peth
Surat:	Nanpura
Varanasi:	Hukulganj

HP aims to bolster its anti-counterfeit efforts through ongoing investigations and operations with the intention of clearing the market of counterfeit products, and bringing the persons involved in the production, distribution and sale of HP counterfeit products to justice.

Learn how to spot counterfeit print cartridges

You should look for these warning signs - missing logos on packaging, missing or broken security seals, missing standard outer wrapping and missing or broken security tear strip.

HP's three-tier security system protects you from fraud.



To report a Counterfeit incident, log on to **http://www.hp.com/sbso/product/supplies/fraud_report.html**
To know more give a missed call at **0124- 4414999** or call at **1800 3003 3003.**

"Political uncertainty and nearing elections are playing in the minds of business executives"

SAUGATA GUPTA
CEO, Marico

muted. The survey shows that 51 per cent respondents expect no major change in recruitment trends in the current quarter. E. Balaji, Managing Director and CEO at human resource services firm Randstad India, says hiring in retail, telecommunications, power and infrastructure industries will take time to recover due to sector-specific problems.

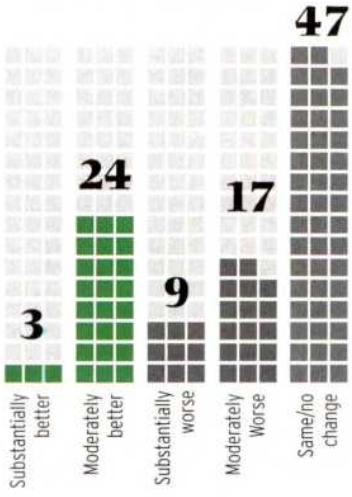
Saugata Gupta, CEO of consumer products maker Marico, says economic growth and low food inflation are essential for demand to stay robust in the consumer goods sector. "While food inflation is okay, disposable incomes are not rising. This is leading to sluggishness in select product categories," he adds.

Gupta does not expect the government to announce any big-bang reforms before the general elections. "Political uncertainty and nearing elections are playing on the minds of business executives," he adds. Kidwai agrees. "It is important not to lose sight of reforms given the fact that our economy is still grappling with a slowdown," she says. "It is imperative to remain pragmatic and focus on the implementation of policies." ◆

Send your comments to editor.bt@intoday.com

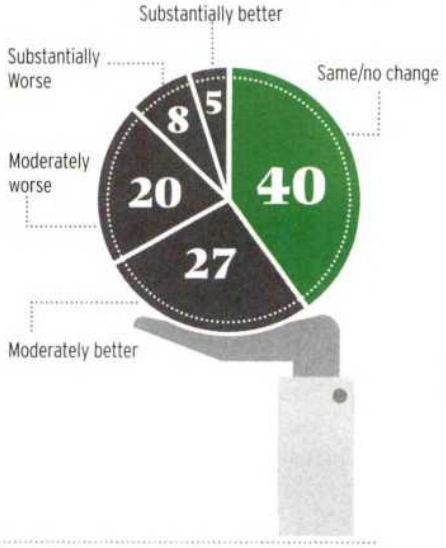
Order Book

A quarter of respondents feel order books will be healthier



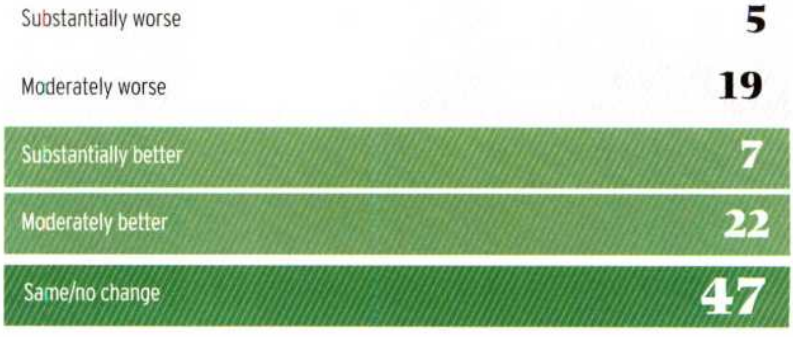
Investments

Two in five do not expect any change



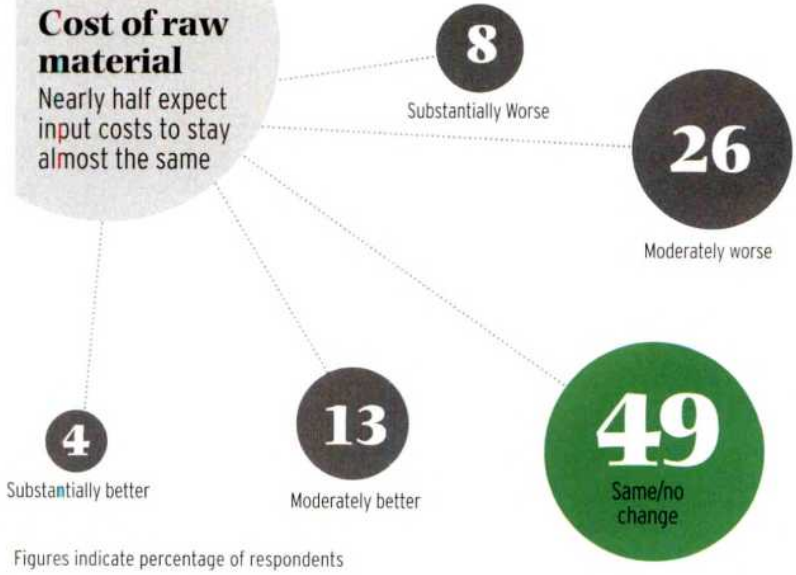
Sales Pickup

Over three-fourths expect sales to rise or stay stable



Cost of raw material

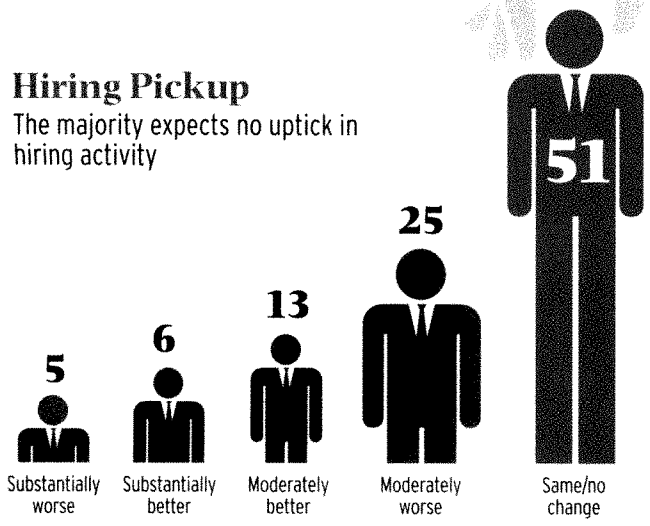
Nearly half expect input costs to stay almost the same



Figures indicate percentage of respondents

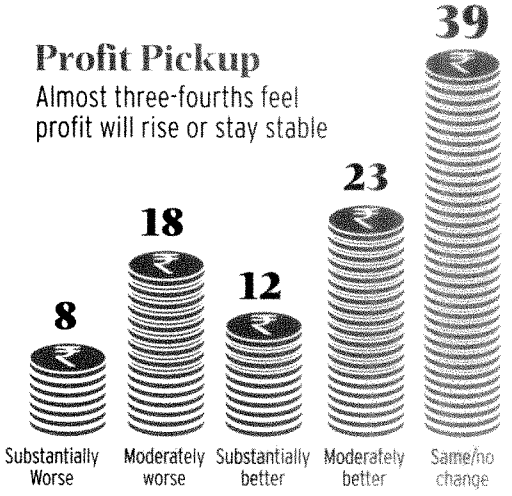
Hiring Pickup

The majority expects no uptick in hiring activity



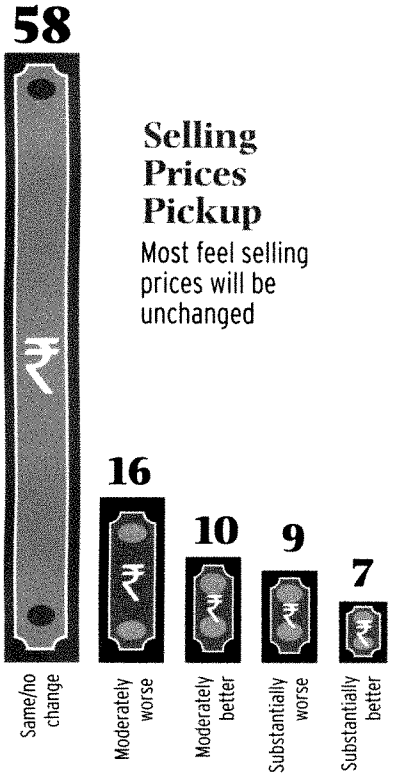
Profit Pickup

Almost three-fourths feel profit will rise or stay stable



Selling Prices Pickup

Most feel selling prices will be unchanged

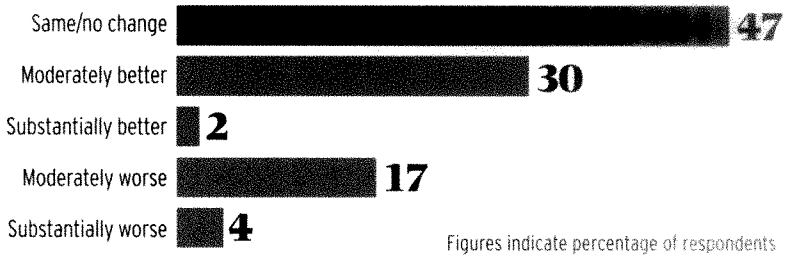


Impact of Union Budget on corporate performance

More than two in five expect to benefit from the budget

Impact of RBI's monetary policy

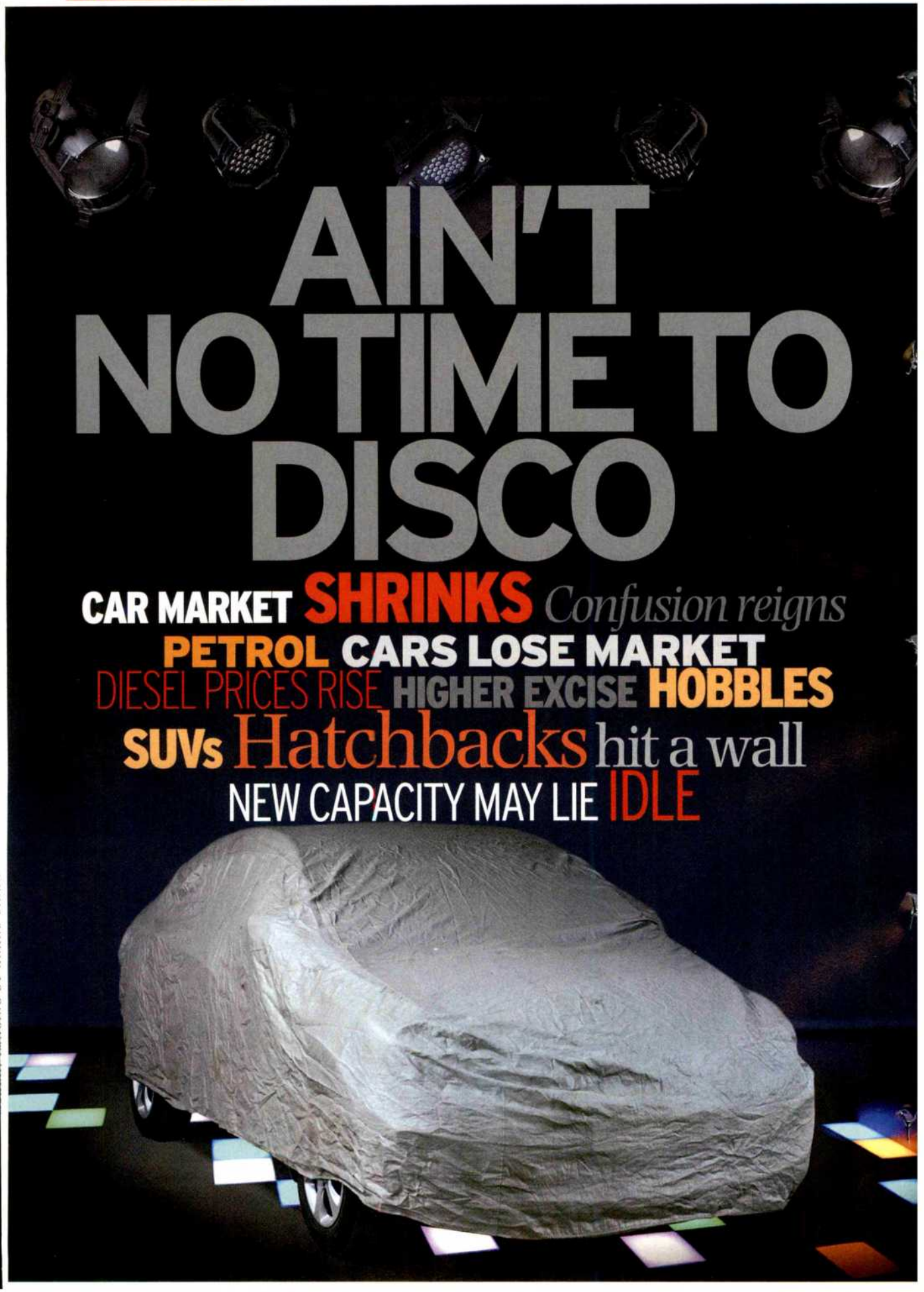
Nearly a third of the respondents expect to benefit from rate cuts



Figures indicate percentage of respondents

METHODOLOGY

Market research agency C *fore* conducted the survey for the January-to-March quarter. The field work was done in March. A structured questionnaire was administered to CEOs/CFOs of companies. Five hundred CEOs/CFOs representing various industries in terms of sector and size were interviewed. The survey was conducted in 12 cities – Bangalore, Bhubaneswar, Chandigarh, Chennai, Delhi, Hyderabad, Kochi, Kolkata, Lucknow, Mumbai, Nagpur and Visakhapatnam. The companies were segmented based on turnover as well as products. Those with a turnover of over ₹500 crore are termed as big, those with a turnover of ₹100-500 crore as medium, those with a turnover of up to ₹100 crore as small, and those with a turnover below ₹5 crore as micro businesses.



AIN'T NO TIME TO DISCO

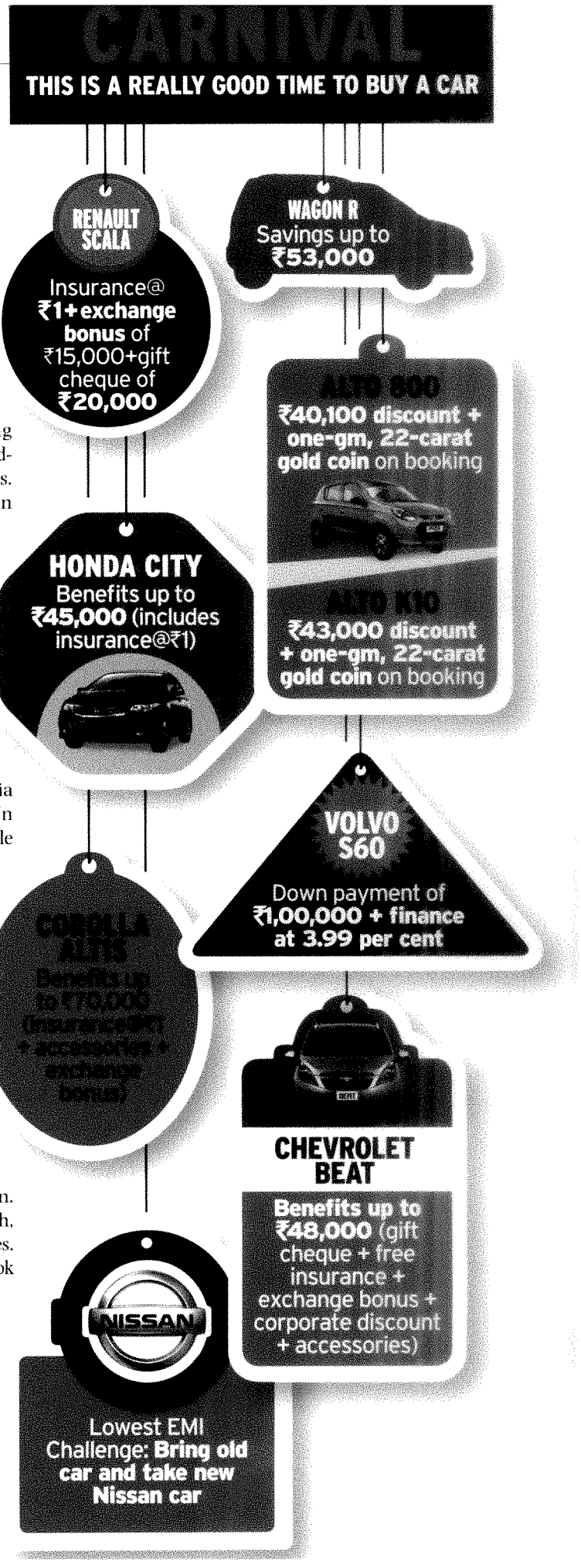
CAR MARKET SHRINKS *Confusion reigns*

PETROL CARS LOSE MARKET

DIESEL PRICES RISE HIGHER EXCISE HOBBLES

SUVs Hatchbacks hit a wall

NEW CAPACITY MAY LIE IDLE



By SUNNY SEN

The chant emanating from the park-facing house in Noida's Sector 15A can be misleading. "Disco... Disco... Disco... Disco...," it goes.

Once inside, you realise it is not John Travolta re-igniting *Saturday Night Fever*. The house and the voice belong to 77-year-old R.C. Bhargava. Disco is his golden retriever, who has grown a bit long in the tooth and is not the most obedient of pets.

Even otherwise, Bhargava is hardly likely to try the Strut or the Hustle these days. As the Chairman of Maruti Suzuki, which has 39 per cent share of the car and utility vehicles market, he is facing the worst year in a decade.

The rest of the industry is just as badly off, if not worse. Eleven of the 20 companies making cars in India show falling sales in the 11 months to February. In February alone, a month in which sales slow as people wait to see what the Budget does to their income and prices, car sales fell 26 per cent.

Not that the Budget helped. On the contrary, Finance Minister P. Chidambaram raised the import duty on luxury cars from 75 to 100 per cent and on high-end motorcycles from 60 to 75 per cent. The one that really hurts is his decision to raise the excise duty on sports utility vehicles from 27 to 30 per cent.

"The finance minister is looking to get more out of SUVs because they are the only growing segment," says Bhargava. If you add SUVs, growing at 54 per cent, to February's calculations, the drop in passenger vehicle sales is only 16 per cent.

The excise duty increase comes wrapped in confusion. The way SUVs have been defined – on the basis of length, engine size, and ground clearance – creates absurdities. Maruti SX4, Honda Civic and Toyota Corolla – which look like sedans and drive like sedans – qualify as SUVs.

"The definition should be more clear," says Sandeep Singh, second-in-command at Toyota Kirloskar Motor, which makes the best-seller Innova. "You cannot categorise an SUV based on ground clearance and engine size." The Innova, which is a crossover between a car and a utility vehicle, faces

SHEKHAR GHOSH/www.indiatodayimages.com

higher excise duty. In a developed market such as the United States, it would be called a "people carrier", vehicles which attract families and hold no appeal for adrenaline junkies who fail to think beyond SUVs.

The industry has taken this up with the government and the definition may soon get modified. Otherwise, the likes of the SX4, Civic and Corolla will be caught in a pincer attack. Even as the excise, a tax levied at factory gates, goes up, manufacturers cannot dream of raising prices now.

As the screws tighten, how are carmakers coping? They are trying to lure customers with unprecedented discounts. For the buyers, this should be the time to disco.

MUSIC TO BUYERS' EARS

Volkswagen is ready to give you a new Vento if you turn in your old car and pay ₹1. Instalments on the new car will start after a year. A Skoda dealer in Gujarat is offering a free Fabia if you buy a Rapid. The Fabia will be delivered after five years.

There is some hook or the other on nearly every car. Some of these are disguised as a "special corporate discount", others as a "loyalty bonus" or an "exchange bonus", and still others as free insurance and accessories. Ripped to the bones, all of them serve the same purpose of reducing the amount you need to shell out.

"The finance minister is looking to get more out of SUVs because they are the only growing segment"
R.C. BHARGAVA
Chairman, Maruti Suzuki India

Tata Motors is the one not mincing words. The company has taken the extreme step of cutting prices outright. So the Manza is cheaper by eight per cent. What's more, the company will buy it from you after three years at 60 per cent of what you paid. Among its other cars, Indigo eCS is available for ₹45,000 less and Indica Vista for ₹60,000 less than what the price tag reads.

"There are a lot of offers going on in India, which is putting pressure on margins," says Joginder Singh, head of Ford India.

And what are the companies getting in return for sacrificing their margins?

Not much, if you go by the March numbers. Sales at Maruti were down 4.3 per cent, Hyundai 13.5 per cent, Tata Motors 27.6 per cent, and Ford

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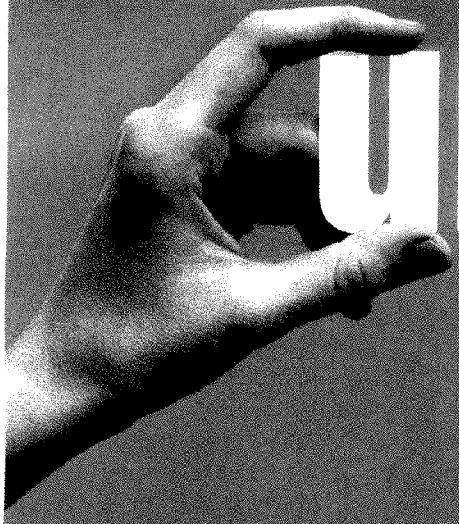

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"There are a lot of offers going on in India, which is putting pressure on margins"

JOGINDER SINGH
President and MD, Ford India

ADITYA KAPOOR/www.indiatodayimages.com

42 per cent, even if you include utility vehicles. Only Mahindra & Mahindra (M&M) and Toyota reported higher sales. Clearly, despite the industry's attempts to induce the buyers, they are refusing to tango.

DISCORDANT NOTES

The subdued economy – gross domestic product may have grown five per cent in 2012/13, the lowest in 10 years – has curtailed disposable incomes and taken optimism out of consumers. What the two things can do can be seen in the numbers for 2006/07, when passenger car sales – not counting utility vehicles – crossed a million for the first time. That year, the GDP grew 9.6 per cent.

Interest rates, which remain high as the Reserve Bank of India tries to fight inflation, have pushed up EMIs on car loans. In a market where 80 per cent of all cars are bought with the help of loans, that can never be good news. In recent months, the central bank has relented a little and banks have reduced rates by 50 basis points, but that, according to analysts, is a mere drop in the ocean. "The high interest rate is one of the main factors that has pulled down car sales, along with the GDP growth going down," says Wilfried Aulbur, former head of Mercedes Benz India who now heads Roland Berger Strategy Consultants in the country.

Rinchen Ghosh, who owns a design studio in Delhi, drives her mother's Zen. She plans to buy two cars – a sedan for the family and a hatchback for herself – but has been stuck in the planning stage for months. Last October, she almost bought Volkswagen's Polo, before deciding to continue with the old Zen. "I don't know the future fuel

ONE STEP DOWN

SUVs GREW, BUT CAR SALES FELL FOR THE FIRST TIME IN A DECADE

OVERALL MARKET	PASSENGER CARS	UTILITY VEHICLES	VANS
2010/11	1,972,845	315,123	213,574
2011/12	2,016,115	367,012	234,945
2012/13*	1,870,687	545,230	234,393

*Annualised Source: SIAM

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INTEC 2013

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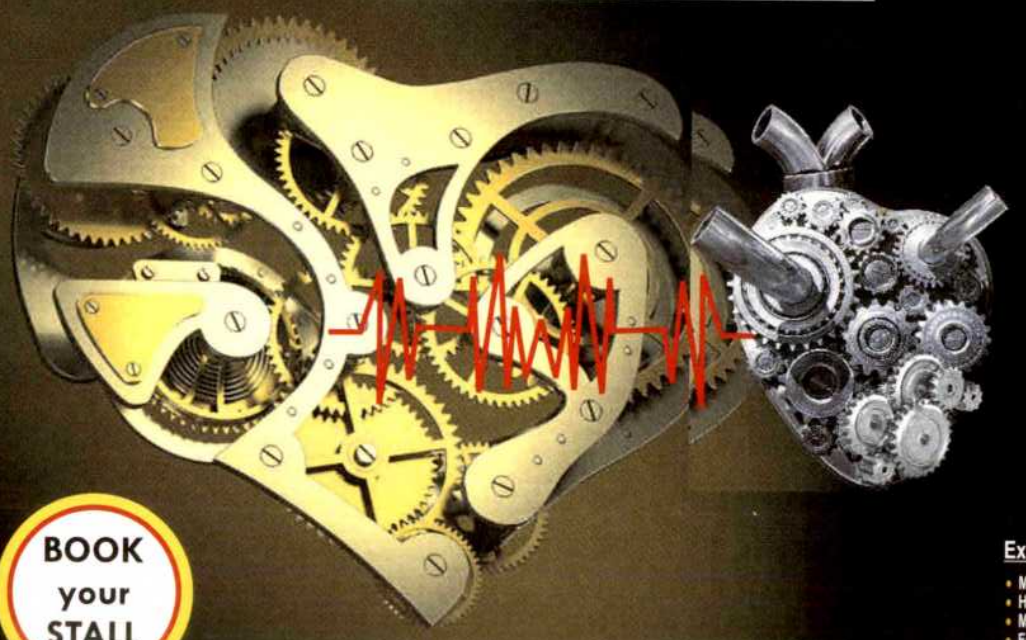

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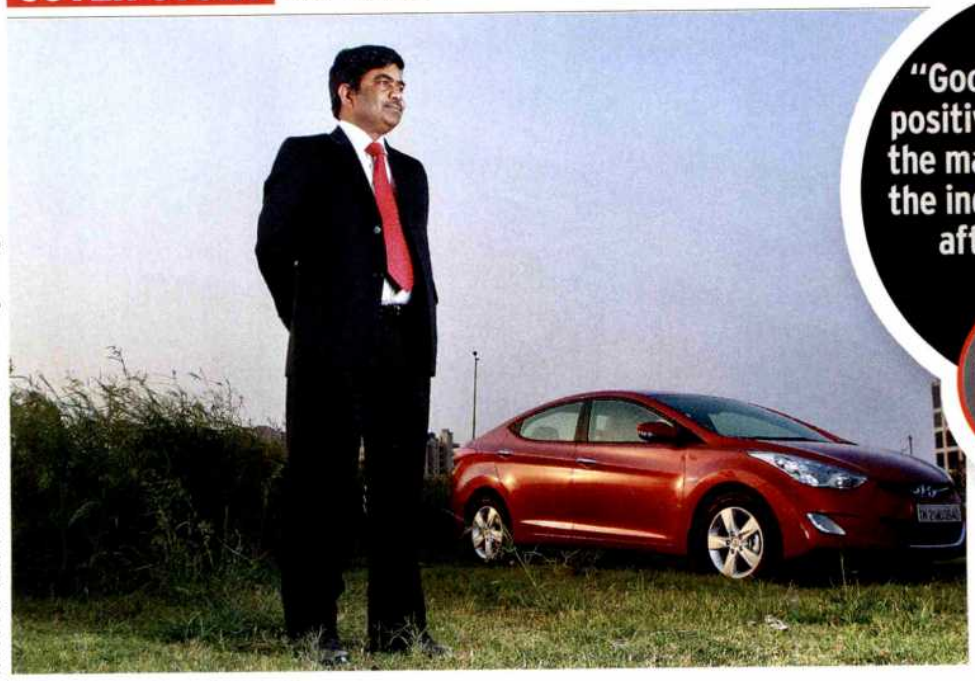

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"Good rains will bring positive sentiments into the market... the pace of the industry may pick up after six months"

RAKESH SRIVASTAVA
VP, Marketing and Sales, Hyundai

prices, so I cannot make a hasty decision," she says. "Petrol cars are cheaper and everyone says diesel prices will go up in the next 10 months, so I think I will wait."

Many manufacturers will kill to be in Ghosh's position, one in which you can choose what to do, or to not do anything. The auto industry had the choice a few years ago and felt compelled to invest in diesel capability as government subsidies kept diesel prices much lower than petrol prices. At one point, the gap had widened to ₹25 a litre. With the higher fuel efficiency of diesel cars, it meant that ₹40 spent on diesel could take you nearly 20 km, while the same amount of money spent on petrol would take you no more than half that distance.

Naturally, everyone wanted a diesel car.

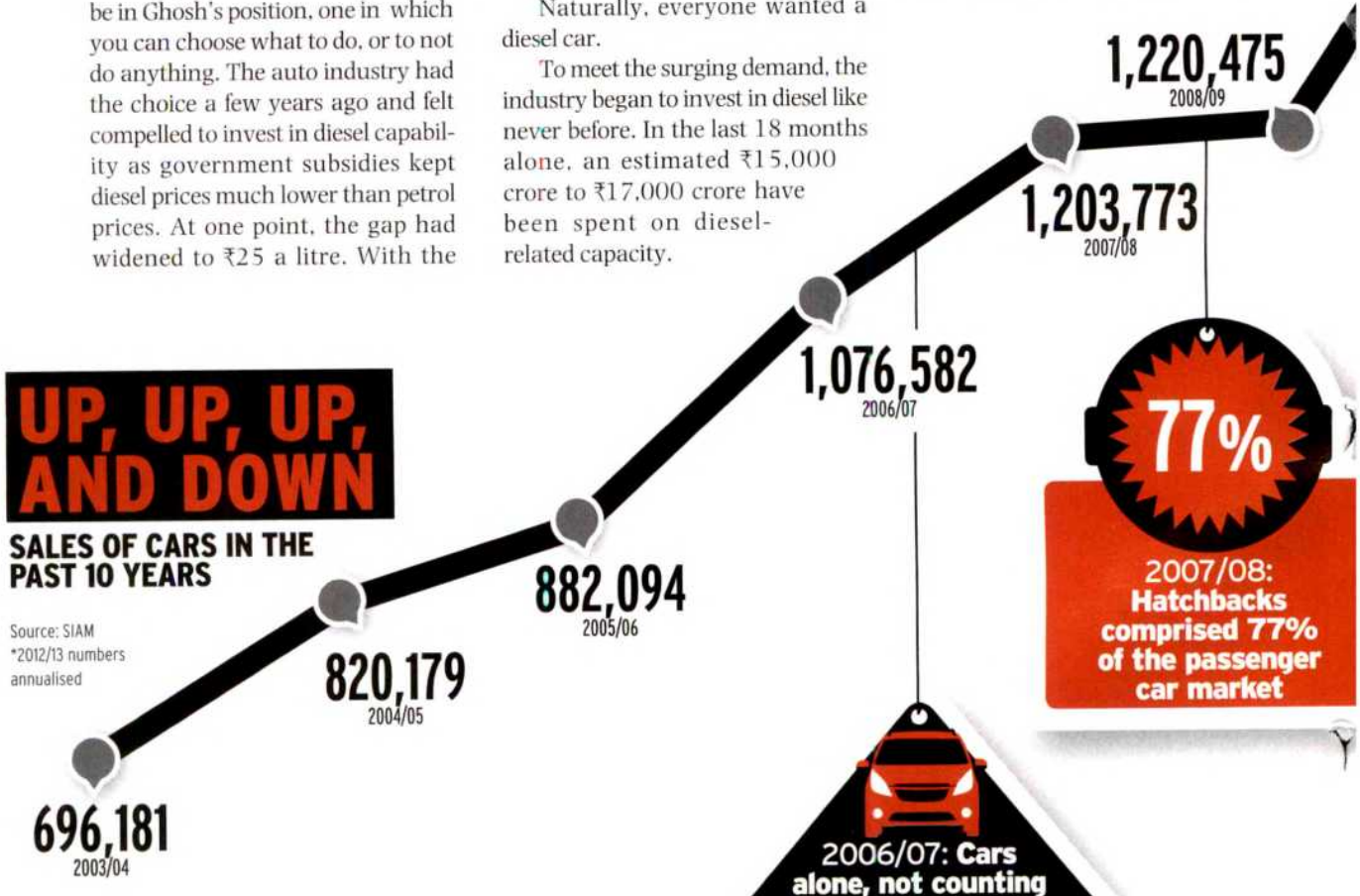
To meet the surging demand, the industry began to invest in diesel like never before. In the last 18 months alone, an estimated ₹15,000 crore to ₹17,000 crore have been spent on diesel-related capacity.

Having given up hopes of parity between petrol and diesel prices, Maruti entered the diesel segment in earnest only in 2006. Since then it has spent close to ₹2,500 crore on diesel capability. And there is more to

UP, UP, AND DOWN

SALES OF CARS IN THE PAST 10 YEARS

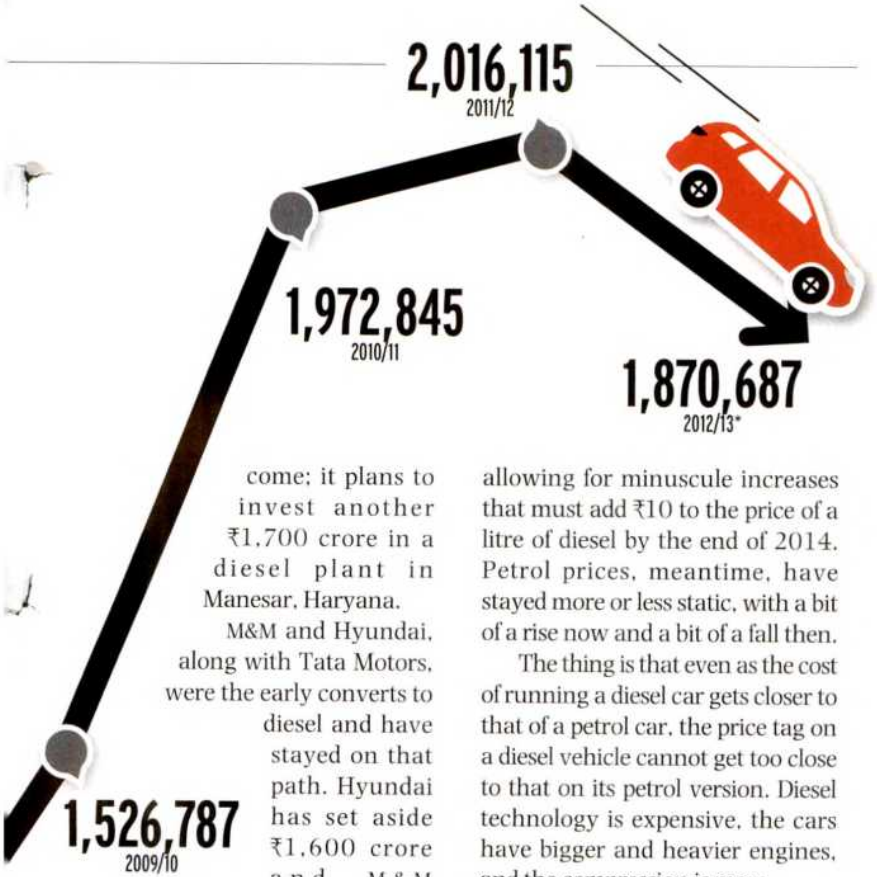
Source: SIAM
*2012/13 numbers annualised



2006/07: **Cars alone, not counting UVs, sold more than a million for the first time**

77%

2007/08: **Hatchbacks comprised 77% of the passenger car market**



come; it plans to invest another ₹1,700 crore in a diesel plant in Manesar, Haryana.

M&M and Hyundai, along with Tata Motors, were the early converts to diesel and have stayed on that path. Hyundai has set aside ₹1,600 crore and M&M ₹3,000 to ₹4,000 crore more for diesel. The last petrol bastion fell on April 2, with Honda Cars India announcing that it had begun shipping its new sedan, the Amaze, to dealers. The Amaze is the kind of car Honda has never made in India before: it runs on diesel.

"Only for the past two years there has been dieselisation, and that has happened only because of the subsidy on diesel," says Jnaneswar Sen, who heads marketing and sales at Honda Cars. The company is spending ₹2,500 crore to catch up.

HEAVY METAL

That is a lot of heavy betting by the companies, but what choice do they have? Diesel cars comprised a mere 15 per cent of the market in 2008/09. The figure rose to 35 per cent in 2011/12, and 56 per cent the year after. No other country has seen such a quick switch from one fuel to another.

But the march of diesel may hit a speed bump as the government changes its approach to the fuel, allowing for minuscule increases that must add ₹10 to the price of a litre of diesel by the end of 2014. Petrol prices, meantime, have stayed more or less static, with a bit of a rise now and a bit of a fall then.

The thing is that even as the cost of running a diesel car gets closer to that of a petrol car, the price tag on a diesel vehicle cannot get too close to that on its petrol version. Diesel technology is expensive, the cars have bigger and heavier engines, and the compression is more.

"The price differential is unlikely to come down," says Kumar Kandaswami, Leader of Manufacturing at consultancy firm Deloitte in India. "The components that go into the making of a diesel car are more expensive."

With the overall slowdown in car sales, stocks at factories have piled up. An 11-day closure in Jamshedpur, for maintenance, has come at a good time for Tata Motors. It will reduce the stock pile by close to 10,000 units. A few weeks ago, Maruti took a day off.

"Manufacturers are struggling [to decide] whether to stop production, or take a hit on the margins to sell the cars," says Abdul Majeed, who heads the automotive practice at audit and consultancy firm PricewaterhouseCoopers.

OFF KEY

"Car companies are confused in their strategy," says Deep N. Mukherjee, Director at Fitch-owned India Ratings & Research. "Every company is pushing the other towards a death trap."

Some in the industry echo this

Polio couldn't cripple Ajaya's spirit

Ajaya's dream of self-reliance led him to Microsoft's technology skills program, that empowered him to find a suitable job.

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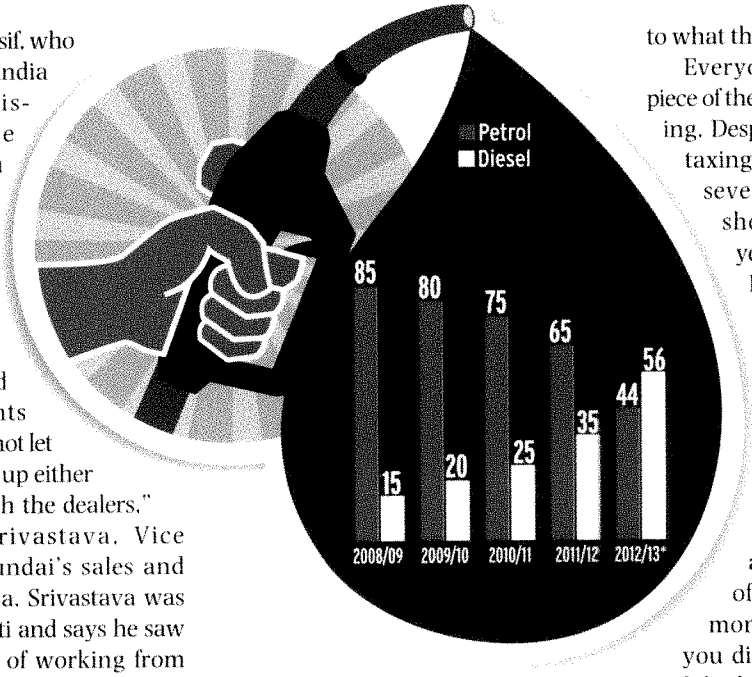
Microsoft

THE SHIFT

NO OTHER COUNTRY HAS SWITCHED SO QUICKLY FROM PETROL TO DIESEL AS INDIA DID IN THE LAST TWO YEARS



*In February, petrol cars made up 47% of the market
Source: *BT* Research

view. To Marc Nassif, who heads Renault's India operations, "Discounts are like sugar, when you eat too much sugar you get hyperglycemia."

But others throw their hands up in helplessness. "You need to keep the plants running. You cannot let the inventory pile up either in factories or with the dealers," says Rakesh Srivastava, Vice President of Hyundai's sales and marketing in India. Srivastava was earlier with Maruti and says he saw Bhargava's style of working from close range, without copying it. "As of now the biggest challenge is to sell cars and utilise capacity."

Bhargava agrees with Srivastava: "When the market has shrunk so much, and everybody had planned capacity keeping in mind a growth rate of 15 per cent, what do you do? You either cut down production or push your products by giving discounts."

Their options are anyway limited, since the industry is producing only 68 to 72 per cent of what it can produce.

To make matters worse, new capacities in the works will add anywhere between 36 and 47 per cent to what the factories can produce.

Everyone, therefore, wants a piece of the one segment that's growing. Despite the uncertainty over taxing of SUVs, you can expect seven to eight new ones in showrooms this financial year. The first is likely to be Ford's EcoSport, with Chevrolet's Enjoy, Maruti's XA Alpha, and Ford's Endeavour just a few paces behind.

They will take heart from the Duster, which has been driving Renault's sales in India, accounting for 75 per cent of volumes in the last 11 months. "Before the Duster you didn't have a modern SUV with high technology at that price," says Nassif.

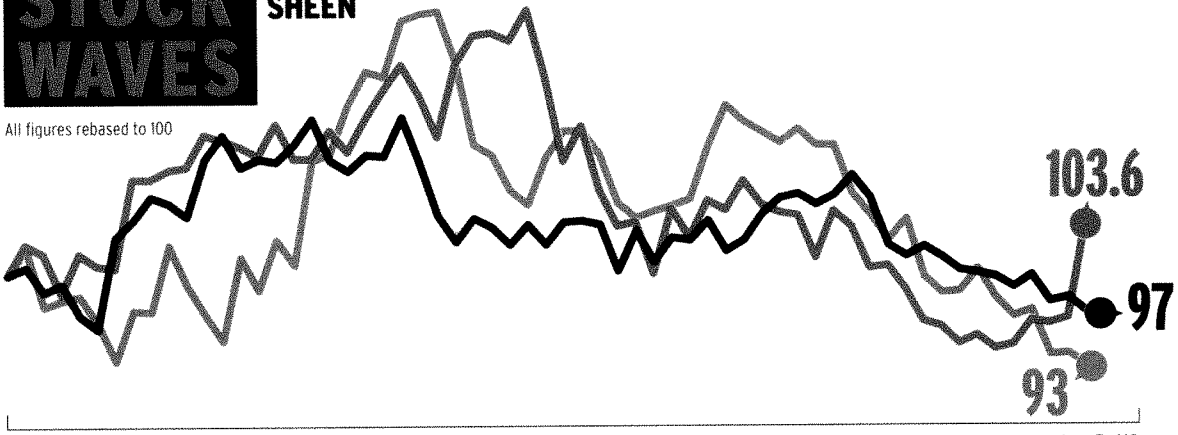
SWEET SPOTS

Companies like Ford pin their hopes on exports. Once its new plant in Sanand, Gujarat starts running, it will produce 440,000 vehicles and 610,000 engines every year. The company hopes to export 20 to 25 per cent of those engines. What gives

STOCK WAVES

SHARES LOSE SHEEN

All figures rebased to 100



Source: BSE

Ford breathing space is that its plant can simultaneously make diesel and petrol cars.

Similarly, Hyundai's facility at Sriperumbudur in Tamil Nadu has assembly lines that can switch from petrol to diesel and back, depending on demand. But not everyone can have this flexibility. It has to be built from the ground up, costs more, and – this is crucial – cannot be added to an existing facility.

"The investment might be a bit higher, but this gives us immense flexibility to react to the way the market shifts," says Hyundai's Srivastava.

The diesel-petrol churn has changed a few other things. India has traditionally been a hatchback market, but the share of hatchbacks has fallen from 77 per cent as recently as 2007/08 to just 53 per cent. As the heavier diesel engines need bigger bodies to carry them, a large number of small hatchbacks continue to run on petrol, fuelling the sales of diesel-driven sedans.

No wonder, sedans have been growing at 11 per cent, even as entry-level hatchbacks have fallen 21 per cent. Only a couple of years ago, when Maruti launched an upgraded Alto, the largest selling model in the country, its monthly sales climbed to 33,000. Now all the seven cars in Alto's segment of entry-level hatchbacks huff and puff their way to just 54,000 a month.

"The small-car segment is the worst hit," says Vishnu Mathur, Director General of automobile lobby Society of Indian Automobile Manufacturers. "This is the most price-sensitive segment, and buyers would hold their purchases even if there is a ₹5,000 increase in price."

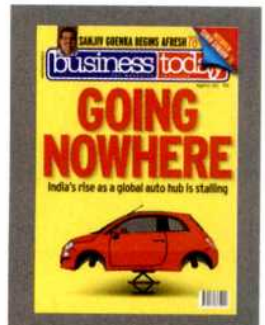
Lowell Paddock, who runs General Motors India, says the country is behaving more and more like China, where customers do not want to be limited to hatchbacks and notchbacks.

Srivastava says the market will get better after the monsoon. "Good rains will bring positive sentiments into the market, which means the pace of the industry may pick up after six months."

The one bright spot has been imported high-end cars, which, as per newspaper reports, flew out of showrooms after the Budget. But their flight would have run out of fuel on April 1, when the higher import duty came into effect.

Meantime Disco, the four-legged one, is not too concerned. When *Business Today* met him at Bhargava's house, he chewed the notebook that had all the sordid facts about the car industry. ◆

ADDITIONAL REPORTING BY ALOKESH BHATTACHARYYA



BT RETRO

The auto industry's problems have been persisting awhile. *BT*'s August 21, 2011 cover story on the sector highlighted how auto companies were grappling with declining sales and labour troubles (see *businesstoday.in/auto-goingnowhere*).

Send your comments to editor.bt@intoday.com

Shweta's signs are bridging barriers for the disabled

As a computer teacher for the hearing impaired, Shweta faced a tough challenge – sign language lacked a vocabulary for computer instruction. Undaunted, she decided to simplify learning for her students. Shweta attended Microsoft's teacher training program that empowered her to be innovative and helped her create a new sign language to bring alive the world of computers for her students.

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CASE STUDY

DOUBLE TROUBLE

EXECUTIVE SUMMARY:

Cross-badging, or selling the same car with cosmetic changes under different brand names, has not worked so far in India. This case study looks at where the problem lies: is the strategy at fault or the execution?

By N. MADHAVAN

AUTO BILD

VW Vento

Skoda Rapid

In January 2012, Japanese auto major Nissan's Indian subsidiary Nissan Motor India sold 1,855 units of its compact car Micra. The same month French carmaker Renault launched its compact car Pulse in India. In February this year, Micra sales were down to 608 units, while Pulse sold 420 units.

Turn to sedans. In August 2012, Nissan's sedan Sunny sold 2,757 units. In September that year Renault launched its sedan, Scala. By February this year Sunny sales had fallen to 1,191 units, while Scala sold 620 units.

And guess what? Nissan and Renault are not even competitors. They have been strategic partners since 1999. Micra, Pulse, Sunny and Scala are all products of the Nissan-Renault alliance.

Or take German car manufacturer Volkswagen's sedan Vento. It sold 3,474 units in India in October 2011. A month later, carmaker Skoda launched its sedan Rapid. Vento's sales have since fallen to 1,909 by February this year. Once again, Skoda is part of the Volkswagen group – Vento and Rapid are from the same stable.

In fact, Micra and Pulse are essentially the same cars, with some cosmetic differences, made in the same factories, but sold under different names. So too are Sunny and Scala, or Vento and Rapid.

Welcome to the strategy of cross-badging, or selling the same car under different brand names – a concept new to India, but used for decades in the United States and Europe to boost sales.

"Automobile makers resort to cross-badging to save on engineering, design and product development costs, to achieve economies of scale, to reduce the lead time in bringing a new product to the market, and to widen their product portfolio and get better returns with incremental investment," says Vijay Kakade, Director, Automotive and Transportation Practice, Frost & Sullivan. It costs at least ₹300 crore to develop a car for India. But cross-badging requires merely tooling changes – an investment of less than ₹20 crore. It would have cost Renault India a lot more time and money to develop a compact car, or a sedan had it chosen not to cross badge Nissan models."

Indeed, reports claim Nissan will soon fill a big gap in its product portfolio – it has no compact sports utility vehicle (SUV) – by cross-badging the highly successful Renault Duster. "Cross-badging offers a clear value proposition to the manufacturers and helps them expand the market," says Nitish Tipnis, Director, Marketing and Sales, Hover Automotive – Nissan's master franchisee in India.

But does it? In India,

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NO FOOLING THE INDIAN CONSUMER

Why has the cross-branding strategy not worked in the automobile market in India? The similarity of the features in cross-branded products, despite the products belonging to different companies and sporting different brands, is an important reason for lower consumer preference.

While buying automobiles, do Indians value the product more or the brand? There is no easy answer. Automobile buying is a high-involvement process for the consumer, she is willing to spend time, effort and energy to arrive at the decision. Consumers actively search for information from multiple sources and analyse it, comparing products and brands. The fact that a model and brand from one company looks very similar to another model and brand from a different company will spur the consumer to look for an explanation rather than search for the differences between the two. The differences in price points of the two further accentuate her need for an acceptable explanation. The similarity of the physical features overrule the brand value quotient. If physical features were discernibly different, the brand would act as a decisive force in consumer choice. Cross-branding strategy fails because it takes away from consumers the powerful rationalising argument that justifies their decision to make a choice that entails financial, social and psychological risk.

Will consumers be more tolerant of cross-branding behaviour in future? Most likely, yes. Consumer familiarity with the product class and gradual acceptance of this new rule of the game will reduce resistance to the cross-branding phenomenon. At this point in history of automobile industry in India, cross-branding is driven essentially by production and manufacturing considerations than by consumer logic.

"Cross branding fails because it takes away the powerful rationalising argument that justifies consumers' decision to make a choice"

PROFESSOR ABRAHAM KOSHY,
Professor of Marketing, IIM-A

Micra sales when Pulse was launched (January 2012): 1,855 units

Combined Micra and Pulse sales today ((Feb 2013) 1,028 units

both attempts so far have been failures. Cross-badging did not expand the market; on the contrary, it shrank. "The extent of failure is such that the combined volumes of Scala and Sunny's sales in February this year was 1,811 units, which is lower than the number Sunny alone sold – 2,757 units – before Scala was launched," says Kakade. The same is true for the Nissan-Renault products. While some attribute this to the slowdown, which is squeezing the entire industry, a closer look at the numbers shows that the fall in sales of the original brand is far higher than the overall decline in the market.

Why has cross-badging not worked? Examples from other countries have established that brand loyalty is critical to the success of cross-badging. But neither Nissan (nor Renault) nor Volkswagen have been around long enough in India to win the fierce brand loyalty that cross-badging banks upon. Worse, while a fully loaded Micra costs ₹5.61 lakh today, a Pulse with similar features is priced at ₹5.76 lakh. Few will see sense in paying more for essentially the same car simply to flaunt the Renault label.

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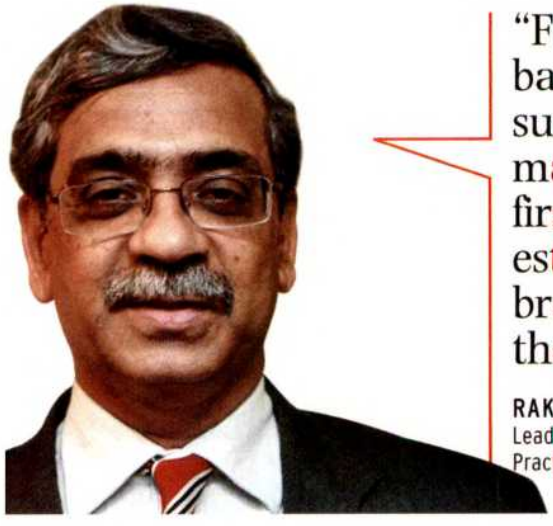
WHO KNOWS THE MOTHER BRAND?

India as an automotive market is still evolving. Consumers do not have a clear perspective on different brands, their premium positioning, etc. How many of us know the difference in brand value between a Micra and a Pulse? We are not a country where a customer walks into a multi-brand showroom, looks at competing brands and understands the ethos of the different brands. For cross-badging to succeed, manufacturers first need to establish their brands well in the market.

Cross-badging in India is being used primarily as a cost optimisation strategy, and to expand the product line-ups. Global original equipment manufacturers (OEMs) are lately appreciating that India is a different market and needs to be treated separately, which has resulted in a lot of iterations of their market strategy. While such iterations, coupled with the market slowdown, are leading to unprofitable operations in India, OEMs are trying to leverage common platforms, engines, etc, to sustain various brands they have established in the Indian market and to compete with the likes of Maruti and Hyundai. This in turn results in cross-badging of products.

Cross-badging in India can be used by manufacturers very successfully to increase the life cycle of their products, say, with the premium brand launching the product and the sister brand introducing the cross-badged product when the original product enters the mature stage of its life cycle. This would further help the OEM concentrate on and establish a strong customer base for just one brand product at a time.

(Views expressed are personal)



"For cross-badging to succeed, manufacturers first need to establish their brands well in the market"

RAKESH BATRA, National Leader, India Automotive Practice, Ernst & Young

The same applies to the sedans, Scala and Sunny. Volkswagen did the opposite, pricing Skoda's Rapid lower than Vento. But that left Vento customers feeling short changed, apart from lowering the resale value of both cars.

There may have been some gaps in communication too. "Cross-badging offers clear value to car manufacturers but what about the customers," says Abdul Majeed, Partner and Leader- Automotive Practice, PwC. "It is very important to communicate the value proposition to the consumer."

Others claim the Indian market is not yet mature enough for this particular strategy. "Indian customers have not evolved to a level where they understand the nuances of cross-badging," says B.V.R. Subbu, automotive entrepreneur and former President, Hyundai Motor India Ltd. Not only is the Indian consumer primarily value driven, but the auto market is also highly competitive with well entrenched and aggressive players. There are no shortcuts like cross-badging to brand building, large investments are essential. "It is

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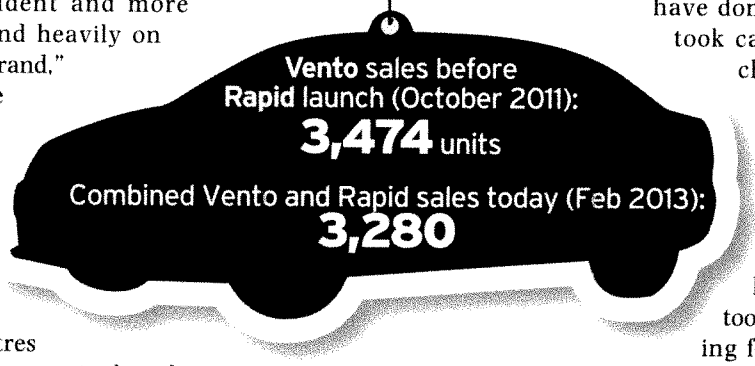
GENERAL ASSEMBLY I

financially prudent and more effective to spend heavily on developing one brand," adds Subbu. He feels Renault and Nissan would have fared better if they had common dealerships and service centres and had sold their respective brands under the one roof rather than cross-badging each other's products. "It is a strategy that is best avoided in India," he adds.



Nissan itself is alive to cross-badging's limitations. "Cross-badging can at best be a temporary strategy to enhance product line-up and make dealerships profitable, but if used over a long period of time, it will lead to brand erosion," says Toshiyuki Shiga, COO, Nissan Motor Co.

Globally too, cross-badging, though long practised, has not always been a success. In recent times the only instance of cross badging working is that of the Subaru BRZ and the Toyota Scion FR-S, both launched in the US this year. But there were specific reasons for this. This sports car was developed jointly by Subaru and Toyota Motor Co, thereby producing, according to auto experts, a better vehicle than either could have done individually. Subaro took care of the engineering, chassis and power train while Toyota handled the design. It was not a case of taking an existing model and cross-badging it. In contrast, General Motors in the US has tried cross-badging all too frequently – and is paying for doing so. "Excessive cross-badging is one of the factors that contributed to General Motors' bankruptcy," says Kakade. ◆

Why do you think the cross-badging strategy fails in India? Write to btcasestudies@intoday.com or post your comments at www.businesstoday.in/casestudy-cross-badging. Your views will be published in our online edition. The best response will win a copy of the Harvard Business School Press pocket mentor. Previous case studies are at www.businesstoday.in/casestudy.

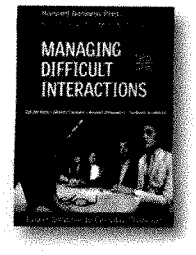
BEST OF THE LOT

BT receives scores of responses to its case studies. Below is the best one on EID Parry (March 3, 2013)

Sanjay Gupta [px11sanjayg@iimidr.ac.in]:

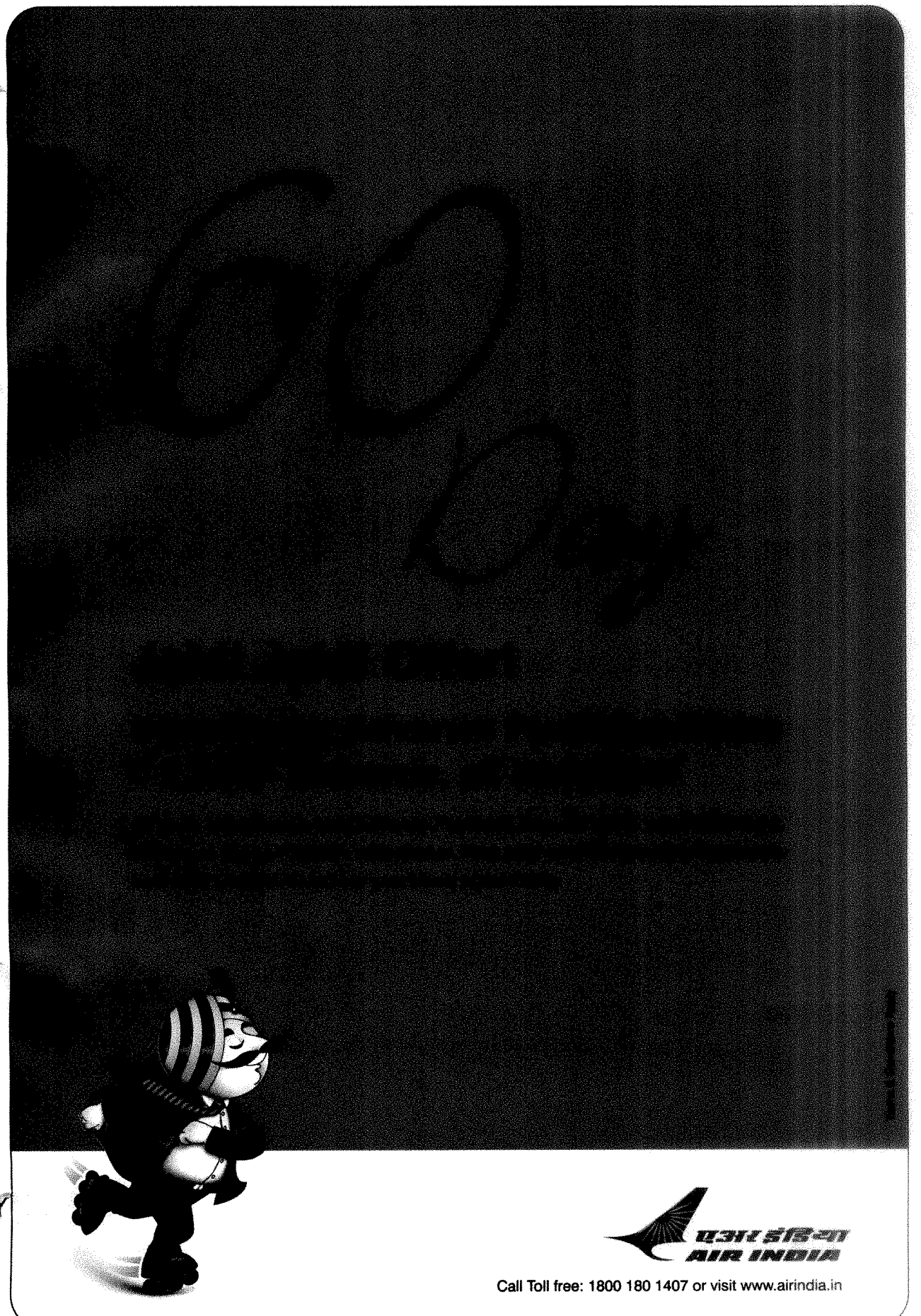
Your case study on EID Parry shows how the company has created shared opportunities for all stakeholders – farmers, intermediaries, society at large as well as the company itself. EID Parry looked at opportunities through the lens of 'shared value' which led it to take strategic initiatives, resulting in innovative approaches such as cashless farming. By redefining productivity in the industry value chain, EID Parry could garner a smooth supply of cane, and reap a high return on investment. Not only did EID Parry profit, it also laid the foundations of a new sustainable business model.

The existing scenario also played a significant role in creating EID Parry's business model. Government regulations relating to 'command area' have had a major impact on industry dynamics. They created fear in the minds of farmers of being exploited by sugar manufacturers and discouraged them from growing sugarcane. They also restricted the operations of the sugar manufacturers. Within the contours of the regulations, EID Parry's model has created a perfect ecosystem, built on interdependence of farmers and the company.



In the future, I foresee two possible developments. The farmer-sugar manufacturer interdependence may get diluted. There may even be disruption in industry dynamics leading to a reconfiguration of the elements making up the value chain. This could well happen if sugar manufacturers shift their priority from farm development to efficient procurement.

Sanjay Gupta wins a Harvard Business School Press pocket mentor



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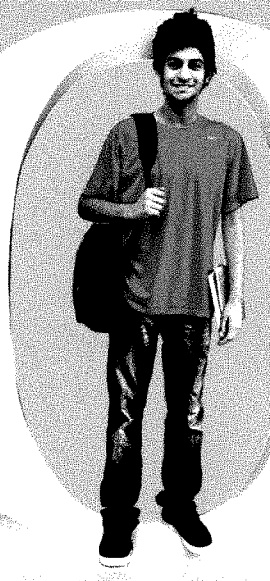

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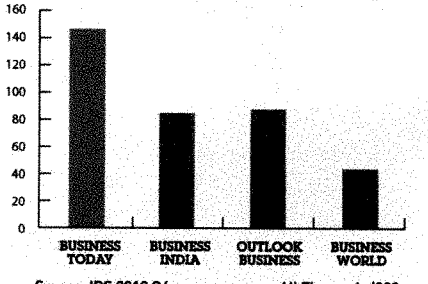
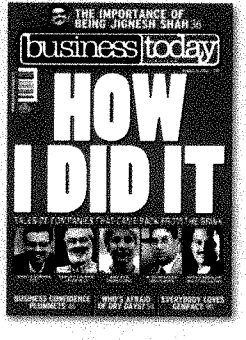


Source: IRS 2012 Q4 All Figures in '000s



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INDIA'S BEST SMEs

A BUSINESS TODAY-YES BANK SURVEY

INSIDE

Big Small Players 76
DFM Foods 78
Ankur Scientific Energy Technologies 80
SL Packaging 83
Yennai Hydrocarbon Services 84
StarAgri 86
Molecular Connections 87
North Eastern Medical Research Institute 88
Chem Process Systems 88
Aastha Minmet India 90
Shalby Hospitals 90
Omega Elevators 91
Emmbi Polyarns 92
Methodology 94

BT-YES BANK BEST SME SURVEY

Big Small Players

The fourth edition of the *BT*-YES Bank survey celebrating small businesses that have beaten the odds.

By TASLIMA KHAN

India's economy may be in the throes of a slowdown, but for one small business owner in Faridabad, it does not matter. "I dig a well in the morning so as to drink water in the evening," says J.S. Dua, Founder of Pyramid Control Systems, a Faridabad-based electrical control panel manufacturer. A statement that not only captures the uncertainty he has to perennially cope with, but also sums up the spirit of enterprise that keeps the country's economic engines humming even in a downturn. Dua is not alone. According to government estimates, India has more than 26 million small and medium enterprises (SMEs), which employ about 62 million people, the largest chunk of the workforce after agriculture. They may be small businesses, but they account for 17 per cent of the country's gross domestic product (GDP) and 45 per cent of manufacturing output.

It has not been easy for them, but many small businesses have managed to ride out the storm. While several big businesses are hurting, smaller players have revealed an ability to find ingenious solutions to problems. Not surprisingly, this sector has grown at a steady clip of 11 per cent for the past five years, higher than the country's overall GDP growth rate.

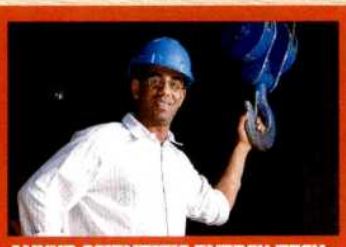
Despite their key role in the economy, SMEs face big problems. Support infrastructure remains unorganised and equity funding is rare. With so many stumbling blocks, many find it tough to grow and find that they remain at the small and medium level for generations.

Business Today acknowledges their contribution with its annual SME Awards for the best performing small and medium-sized businesses in key areas. The cachet of the *BT*-YES Bank Best SME Survey and Awards has grown over the years: the number of companies applying for this recognition jumped to 410,000 in 2012 from just 8,000 when the awards were started in 2009. Here is a look at the star performers.

Roll of Honour

Winners in different categories

DFM FOODS
Star SME Overall (Medium)
Star SME Agriculture (Medium)



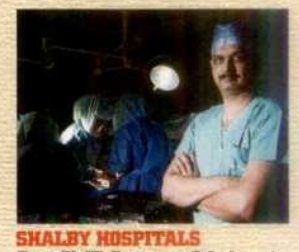
ANKUR SCIENTIFIC ENERGY TECH.
Star SME Overall (Small)
Star SME Manufacturing (Small)

CHEM PROCESS SYSTEMS
Star SME Manufacturing (Medium)

AASTHA MINMET INDIA
Star SME Trading (Medium)

MYND SOLUTIONS
Star SME Services (Small)

STARAGRI
Star SME Agriculture (Small)



SHALBY HOSPITALS
Star SME Services (Medium)

SL PACKAGING
Star SME Trading (Small)

MOLECULAR CONNECTIONS
Best SME for Innovation (Small)

OMEGA ELEVATORS
Best SME in Social & Environmental Responsibility (Medium)

YENNAI HYDROCARBON SERVICES
Best SME in Social & Environmental Responsibility (Small)

NORTH EASTERN MEDICAL RESEARCH INSTITUTE
Best SME in Northeast India

EMMBI POLYARNS
Best SME for Innovation (Medium)

BT-YES BANK BEST SME SURVEY

Overall Winner - Medium

The Lord of the Rings

DFM Foods, maker of CRAX corn rings, pioneered the packaged snacks business in India. By DEARTON THOMAS HECTOR

Lying in comfort: Mohit Jain (left), MD of DFM Foods, with Executive Director Rohan Jain

VIVAN MEHRA

Star SME
(Medium)

Star SME
Agriculture
(Medium)

DFM Foods

Location
Delhi

Core activity
Making Packaged Snack Foods

No. of employees
(as on March 31, 2012)
325

Ankur Scientific

The 1980s were a watershed for Delhi Flour Mills. The mill was set up in 1916 by British founders and transferred to Indian owners at the time of Independence. But it was not until the 1980s that the company began to diversify. On a suggestion by one of its Italian machine suppliers, it ventured into packaged snacks. There was little demand for such products at the time. That did not deter the company and, in 1984, it launched CRAX corn rings. "We had to struggle a lot to establish the concept of packaged snacks," says Mohit Jain, Managing Director of DFM Foods, the snack food company spun off from the flour mill in 1993.

Today, the company makes packaged snacks under three main brands – CRAX corn rings, Natkhat wheat puffs, and CRAX Namkeens – at its two plants in Greater Noida and Ghaziabad, on the outskirts of Delhi. Corn rings remain its top product, contributing 75 per cent to total sales. It sells its products across north, west and central India. "We hope to cover all of east zone by 2014," says Jain. "We want to get into South India, too. In the coming two to three years, we should be national."

Over the years, several big companies such as ITC and PepsiCo have entered the packaged snacks market. But DFM is still growing at a fast clip despite the competition. Its sales have expanded at a compound annual growth rate (CAGR) of 53 per cent in the past three years, from ₹72 crore in 2009/10 to ₹169 crore in 2011/12. Net profit grew at a CAGR of 57 per cent during the same period to ₹10.4 crore in the last fiscal year.

The reason for the rapid growth in recent years is the company's focus on marketing and advertising, says Rohan Jain, Executive Director and elder son of Mohit Jain. DFM spends as much as a fifth of its revenue on marketing. Activities include adding a surprise gift for kids – their most important target – inside the packs. Last year, DFM also tied up with distributors of the animation movie *Ice Age 4* to promote its products.

What are the biggest challenges for SMEs? "Organisational development is a big challenge," says Mohit Jain. "Meeting the demands of the market is another challenge."

Rohan Jain chips in. "You should delegate your managerial powers, but you should not lose control," he says. "You should put the resources in place first. Otherwise, you will stumble. Build the capacity first and then expand."

That is an intelligent piece of advice for all SMEs.

BT-YES BANK BEST SME SURVEY

Overall Winner - Small

Biomass Badshah

Ankur Scientific's green gasifiers sell across the world. By G. SEETHARAMAN

When B.C. Jain decided to return to India from the United States in 1977, all his friends dissuaded him. "They tried to drill some sense into my head," he says. "They thought I would return to the US within a year." Jain then worked in the research & development (R&D) division of an energy and engineering company in Boston.

His friends failed. Jain, impeccably qualified, with a doctoral degree and a Masters in Business Administration from Massachusetts Institute of Technology, moved to Vadodara, wife and daughter in tow, and joined engineering company Jyoti Ltd. He made rapid progress at Jyoti, going on to head its renewable energy division. But by 1986, he was ready to try his hand at entrepreneurship and set up Ankur Scientific Energy Technologies.

Ankur Scientific makes biomass gasifiers, mostly used for power generation. A gasifier is used to partly burn biomass – a clean, renewable energy source – into gas, which is then fed to engines to generate power. It has some heat applications as well. Ankur Scientific has now become a well-recognised name in gasifiers not just in India, but also in Europe and the rest of Asia. It closed 2011/12 with sales of ₹34.7 crore and profit after tax of ₹4.6 crore.

Jain's Indian Institute of Management Bangalore-educated son Ankur also joined the company in 2005. Within six months of Ankur joining, his father took a backseat in business to focus on research even as the company steadily stepped up its presence overseas. "It was not as if there were not enough opportunities here," says Ankur. "We just found that there was a lot of interest overseas as well. In the last four years, 60 to 80 per cent of our revenue has come from abroad." The company has installed gasifiers in over 30 countries including the US, Bulgaria, Argentina and Cambodia.

Arman Massoumi, Chief Executive of Kuala Lumpur-based Renewables Plus, a power producer, has bought nine gasifiers from Ankur Scientific for its plants in Malaysia and Thailand. "Banks in Thailand are familiar with Ankur Scientific. They finance projects if the gasifiers are from Ankur Scientific," he says.

Ankur Scientific has lately diversified beyond selling biomass gasifiers to setting up power plants that use biomass. It has a licence to set up such plants of a total capacity of 10 MW in Sri Lanka, and has so far completed two megawatts.

With Jain spearheading research, and his son taking its products across the world, Ankur Scientific appears poised to consolidate further.

NISHIKANT GAMRE/www.indiatodayimages.com

Star SME
(Small)

Star SME
Manufacturing
(Small)

Ankur Scientific Energy Technologies

Location
Vadodara

Core activity
Manufacturing biomass gasifiers

No. of employees
(as on March 31, 2012)
300

On top of the world: Ankur Jain, Managing Director of Ankur Scientific, at his Vadodara factory

Mynd Solutions

BT-YES BANK
BEST SME
SURVEY

Riding high: Vivek Misra (left) and Sundeep Mohindru (centre) with colleague Mukul Jain on the Gurgaon Expressway

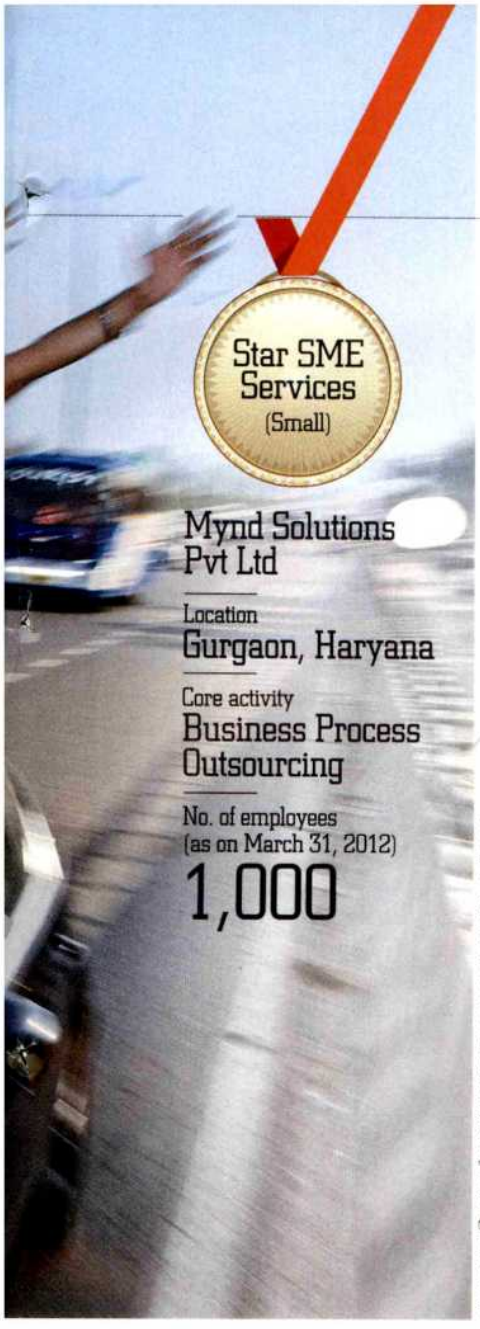
Winning Mindshare

This high-end BPO firm devises processes for finance and HR departments

They had not even intended to start a business process outsourcing firm. When they began Mynd Solutions in 2003, Sundeep Mohindru and Vivek Misra, both with finance backgrounds, had a finance and human resource advisory company in mind. But by 2005 they found they needed to put in place a few automated processes to help them advise their clients better.

These processes gradually grew to subsume their advisory function. "Over a period we have created standard solutions, which have both vertical and horizontal focus," says Mohindru. By 'vertical' he means sectors, while 'horizontal' refers to functions within every organisation. Mynd Solutions concentrates on telecom, retail, manufacturing and infrastructure sectors, devising solutions for their finance and human resource divisions.

The company was started in Mohindru's apartment home, with an investment of just ₹10 lakh. Mohindru and Misra estimate their turnover at ₹50 crore in 2012/13 and expect to touch ₹60 crore in 2013/14. The company has so far devised 25 processes, starting from four in 2005. "We work on the multi-tenant model," says Misra. This in turn means the processes are not



Star SME Services (Small)

Mynd Solutions Pvt Ltd

Location
Gurgaon, Haryana

Core activity
Business Process Outsourcing

No. of employees (as on March 31, 2012)
1,000

VIVAN MEHRA/www.indiatodayimages.com

client-specific. Once prepared, they are hosted on the cloud and can be used by multiple clients by making relevant adjustments.

Mynd Solutions has garnered 140 clients so far, among them the country's biggest e-tailer, Flipkart, whose entire delivery expenses it manages. The process it built for Flipkart is now being implemented in a number of other retail companies. The founders believe their future success will depend on keeping their processes relevant, for which analytics offers the greatest potential.

SUNNY SEN

Yennai Hydrocarbon

Ahead in the Race

This Kolkata company is eyeing the global market and expanding domestic operations

Navin Saraf was always clear about one thing: school was something to get out of the way before joining the family jute trade. "Right since my childhood, I've wanted to be in business," says the 31-year-old Kolkata resident. "I've grown up with raw jute, twines and yarns."

It runs in the family. His eldest brother began helping out their father when he was 17. So when Saraf completed high school in 2001, it was "family time".

In the early days, the Sarafs imported raw jute from Bangladesh to make traditional goods such as yarn and sacks for the domestic market. Then they began to manufacture fabric at Howrah, near Kolkata. Today, they export eco-friendly shopping bags and burlap bags to the United States, Europe, Central Asia and Africa, and will soon open their second factory.

SL Packaging was set up in 2007, and ended 2011/12 with sales of ₹42.3 crore and a net profit of ₹7 lakh. Return on equity was about 1.3 per cent. The company needs to expand its manufacturing facility to feed an increasing number of domestic clients, including ITC's agribusiness division, Ruchi Soya and various state governments. It also needs to whittle down the cost of fabric for its bag export business.

Ten bighas (four bighas equal one acre) have been acquired for the second factory, in Barasat, near Kolkata. The ₹15-crore capital outlay will have a debt-equity ratio of 85:15. "The loan is for the working capital," says Saraf, adding the company has no IPO plans.

ANIK BASU

SUBIR HALDER

Master of his trade: Navin Saraf at his factory

Star SME Trading (Small)

SL Packaging Pvt Ltd

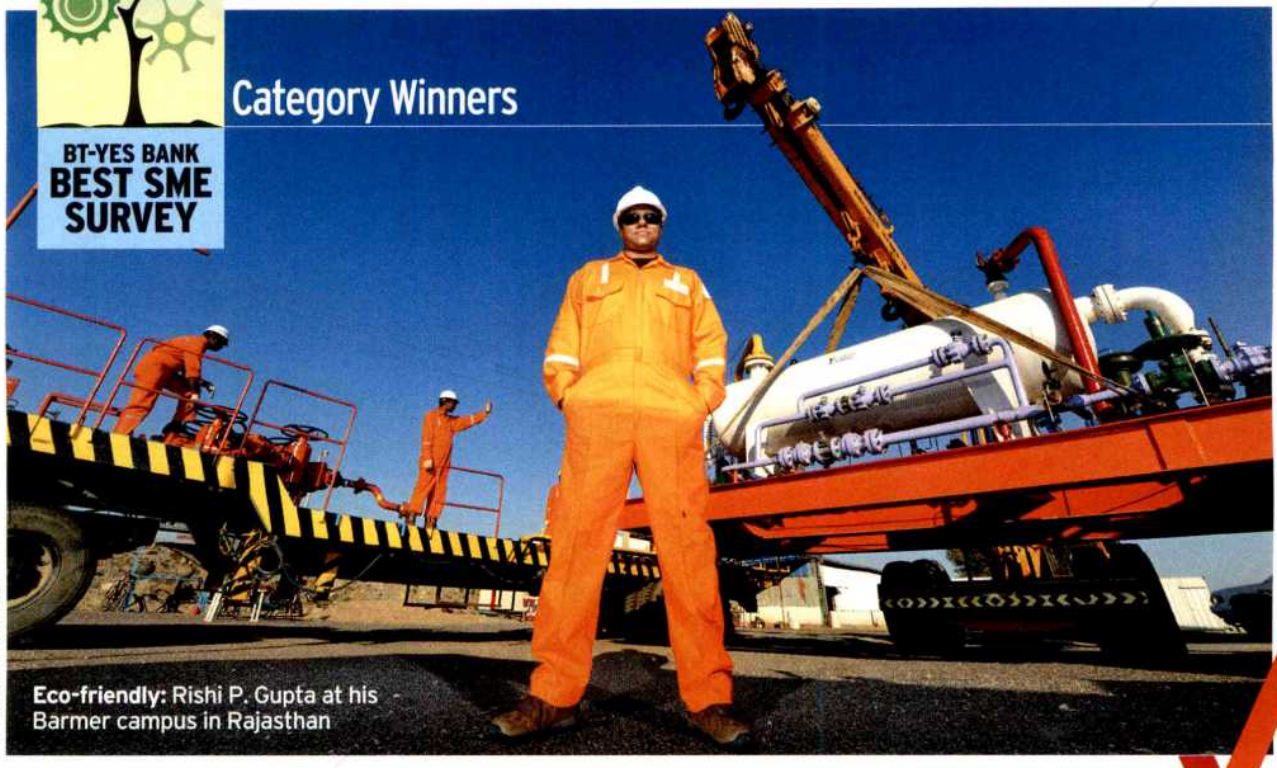
Location
Kolkata

Core activity
Trading in jute and allied products

No. of employees
10

BT-YES BANK BEST SME SURVEY

Category Winners



SHEKHAR GHOSH

Eco-friendly: Rishi P. Gupta at his Barmer campus in Rajasthan

Safety First

Staff safety and a sustainable environment are the company's top priorities

Safety instructions are the first things visitors get when they enter the quaint little head office of Yennai Hydrocarbon in suburban Mumbai. The lady at the reception, even before asking visitors the purpose of their visit, shows them a map of the office and describes the route they should take to exit in case of an emergency. An emergency advisory on a normal day does seem unusual. "Emergencies and disasters do not come with prior notice," explains Rishi P. Gupta, co-founder of the oilfield services provider. "It is better to be careful than to regret later."

Gupta says working conditions in the oil and gas industry are often hazardous, and hence ensuring staff safety is the company's top priority. Yennai, which provides services such as well testing and data acquisition surveys, is also environmentally conscious. It uses solar power to run a large part of its Barmer campus in Rajasthan, where it has also planted more than 200 trees. "We even use environment-friendly consumables in our equipment," says Gupta.

Yennai, which means oil in Tamil, aspires to quadruple its revenue to ₹200 crore in five years. At the same time, Gupta wants to empower the people living in and around Barmer by training them in skills required in the oil and gas sector. The company, which was founded in 2006, has given technical training and jobs to about 35 locals so far.

Yennai has also set up an oilfield training centre, where it provides hands-on training at a nominal cost to engineers aspiring for a career in the oil and gas sector. "There is a shortage of trained people in our sector, and we consider it our duty to create a good talent pool," adds Gupta.

AJITA SHASHIDHAR AND MANU KAUSHIK

Yennai Hydrocarbon

Location
Mumbai

Core activity
Oil and gas

No. of employees
300

Best SME Social and Environmental Responsibility (Small)

StarAgri Warehousing

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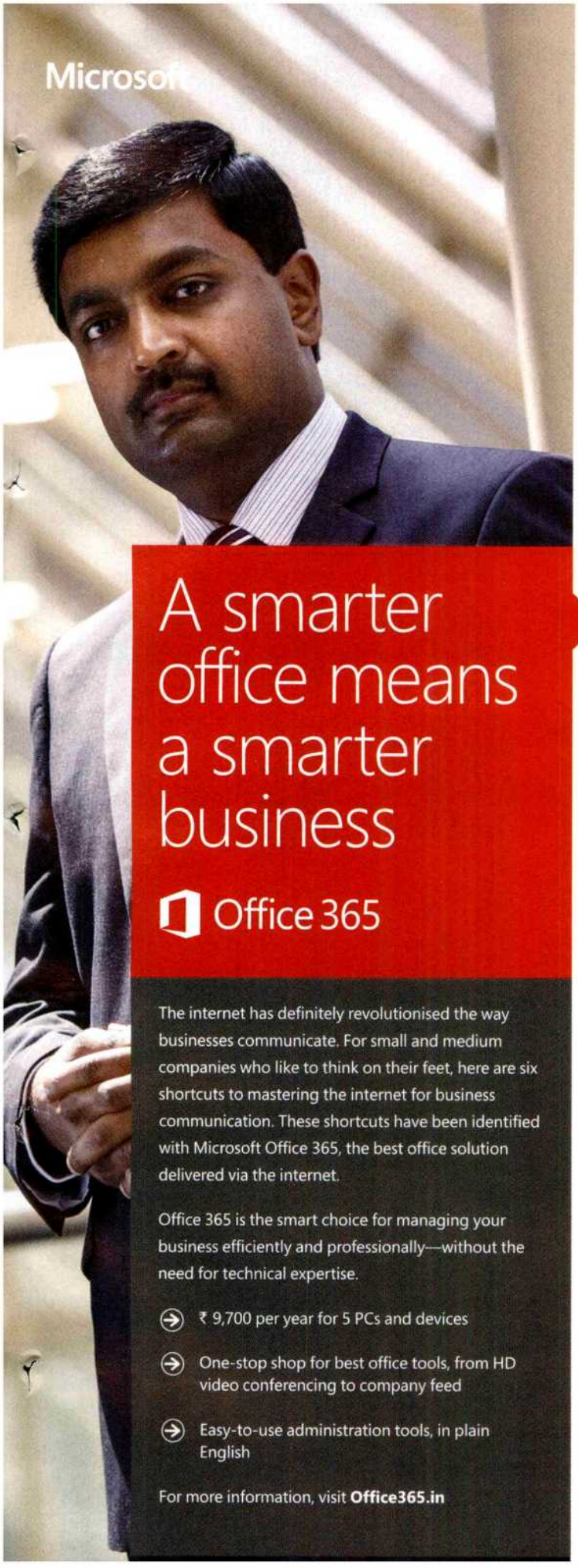

A smarter office means a smarter business

Office 365

The internet has definitely revolutionised the way businesses communicate. For small and medium companies who like to think on their feet, here are six shortcuts to mastering the internet for business communication. These shortcuts have been identified with Microsoft Office 365, the best office solution delivered via the internet.

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6 shortcuts to better business communication using the internet

Shortcut 1

Choose instant messaging over email chains

Time is money. When you see an email thread going back and forth, switch to instant resolution mode. Office 365's presence feature tells you if your colleague is available or busy for instant messaging. You will know this from a green or red square next to their name in emails or the contact list. Just switch to Lync Online, and continue the conversation in a chat window.

Shortcut 2

Take notes on your smartphone

Cut down redundant tasks. If you are an avid note taker, put aside the notebook and try Office 365's OneNote App for your smartphone. All you have to do is type out quick points on a blank page, and OneNote auto saves every character. In an instant, circulate your notes by email and avoid the hassle of getting someone to type it out for you.

Shortcut 3

Edit documents in the cloud

Keep it simple. Ask colleagues or partners to create their master documents, spreadsheets, presentations on Office 365's Web Apps and save all documents to the cloud, SkyDrive. No matter where you are, you can open these documents from any device through a link and edit its contents. No more emailing documents with different versions. And you have 20 GB storage complimentary on SkyDrive.

Shortcut 4

Videoconference with people around the globe

Save on travel and expensive conferencing services. Office 365 comes with High Definition Video Conferencing through Skype, which allows you to video chat with people in 40+ countries. Perfect for when you need to bring together people sitting in different parts of the world to discuss an important project.

Shortcut 5

Publish updates to the company feed

Stay connected. Announce new deals, call for ideas, recognise individuals by posting short updates on the company feed. De-clutter the email system from company-wide information, and instead publish it on this twitter-like platform only for your employees.

Shortcut 6

Set up online presentations

Impress with style. Use the internet platform to deliver a business presentation about your company or a solution for your clients. Through presentations on Lync Online, you can make sure that everyone who needs to attend can join in from wherever they are. You can also share the stage with many presenters and seamlessly switch control from your system to theirs. Lync also gives all users the option to collaborate on a white board.

Star SME Agriculture (Small)

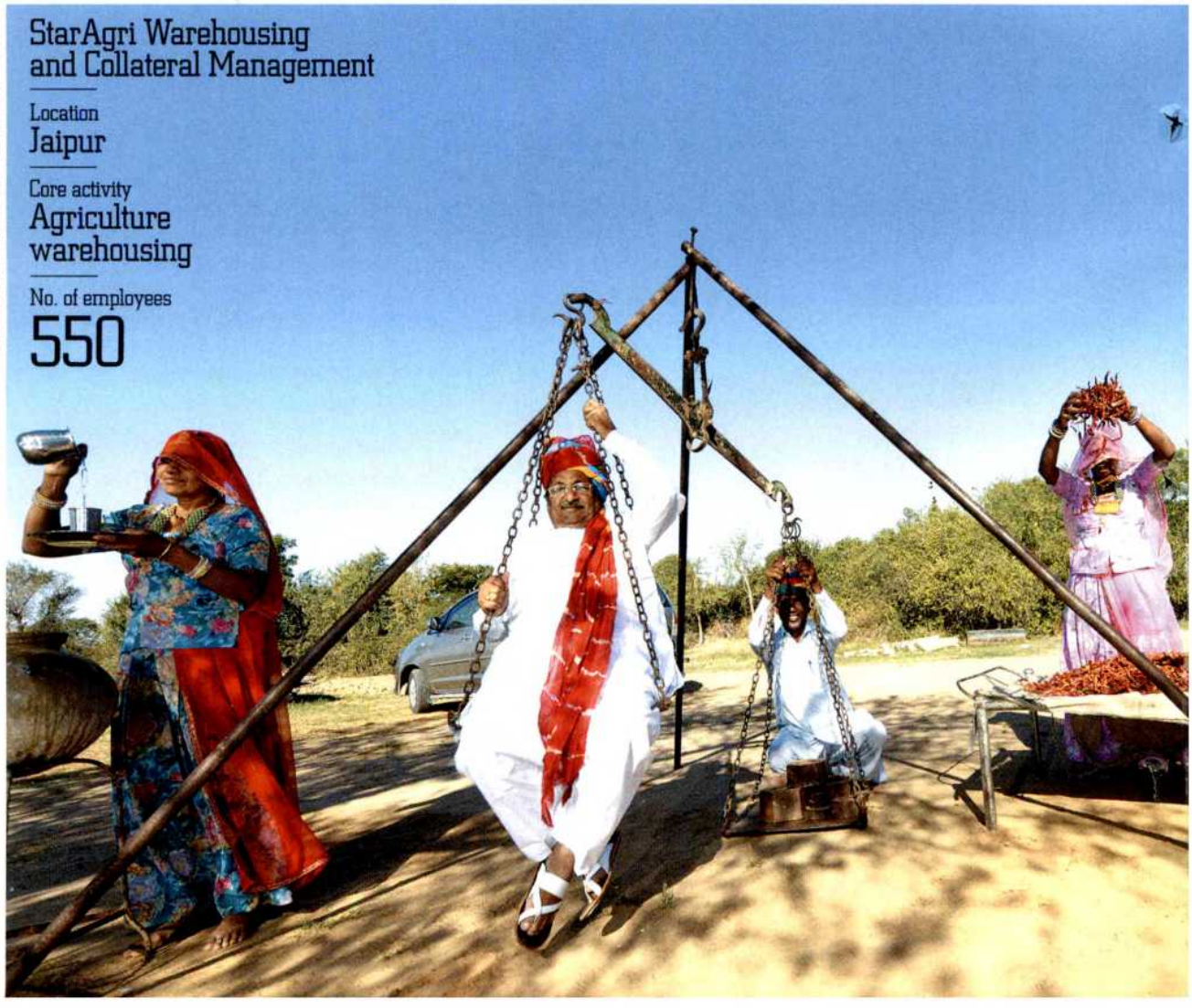
Reaping What It Sowed

This Rajasthan-based rural service provider has profited by helping farmers

Suresh Goyal, Chairman and Managing Director of StarAgri Warehousing and Collateral Management, has two BlackBerrys that ring incessantly. Between calls, he meets people and chews paan. He credits his initial success to ICICI Bank, which was looking for agricultural loan seekers in Rajasthan in 2004, to meet priority lending norms.

The bank, however, had realised that lending directly to farmers was risky, as they lacked collateral. It appointed service providers such as Goyal to lend money against farmers' produce. By 2006, Goyal and his partners in Jaipur – Amit Mundawala, Amith Agarwal and Amit Khandelwal – were doing significant business with the bank and soon found other banks knocking at their doors, too. StarAgri, which was formed with a capital of ₹5 lakh, today has a turnover of around ₹100 crore.

StarAgri takes orders from around 375 food processing companies, including Cargill India and Archer Daniels Midland, and meets them by buying from farmers and *mandis* (wholesale markets). Its 15 labs ensure purchases meet client-



SHEKHAR GHOSH/www.indiatodayimages.com

StarAgri Warehousing and Collateral Management

Location
Jaipur

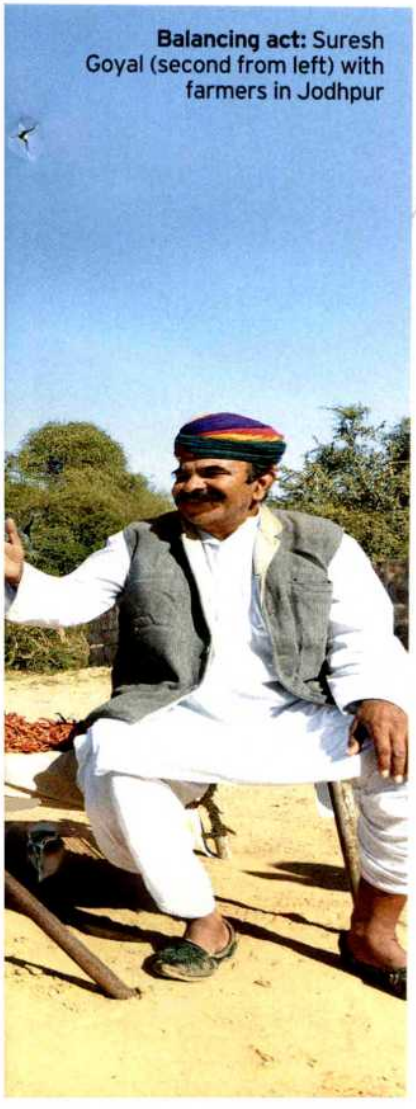
Core activity
Agriculture warehousing

No. of employees
550

specifications.

It provides warehousing services, too, for farmers who want to store their produce. Farmer Babu Lal Mali of Bawri village near Jodhpur says StarAgri's storage has boosted his income. "There's no pressure to sell immediately after harvesting," he says.

StarAgri's 800 warehouses can store 1.2 million tonnes. "The plan is to treble the capacity in three years," says Agarwal. The company owns five warehouses and leases the rest. Goyal says leased warehouses can offer only limited solutions. "We will have around 15 of our own warehouses soon," he says.



Balancing act: Suresh Goyal (second from left) with farmers in Jodhpur

NILOTPAL BARUAH

Full ideas: Jignesh Bhate at his office in Bangalore

Beating the Overload

It suggests better ways of wading through data

Best SME for Innovation (Small)

It may be small, but Molecular Connections, which counts many big global pharmaceutical companies among its clients, can easily trump the best in the business with its innovations. Its profits have been growing at a compound rate of 25 per cent over the past five years. Last year, it bought out a minority stake held by Baring Private Equity Partners. "We gave Baring the best returns in the industry," says Jignesh Bhate, CEO, Molecular Connections.

In the pharmaceutical industry, "drug target" is a term for any substance in the body – usually a protein – whose behaviour can be modified by an external drug, leading towards a cure. To discover such targets, scientists have to wade through a lot of research. Molecular Connections provides innovative technology which enables scientists to do so systematically and properly structure the information gleaned as well. The company has also started seeking payment based on successful outcome. "We have started giving them (the clients) five drug targets at a much lower fee. But if any of these drug targets gets into the clinic phase, we share the upside," says Bhate.

Innovations could help continue the company's growth story in a competitive, but expanding, market. "The informatics market has hit a new point of inflection because of the genomics revolution," says Anand Anandkumar, Managing Director and Chairman of the India operations of Cellworks, a biopharma therapeutic firm, explaining its potential. "Sequencing the genome means a huge amount of data, which needs specialised processing. There is a new wave that is combining biology, mathematics and IT, like never before."

GOUTAM DAS

Molecular Connections

Location
Bangalore and Chennai

Core activity
Drug discovery informatics and publishing

No. of employees
850

NE Medical Research

BT-YES BANK BEST SME SURVEY

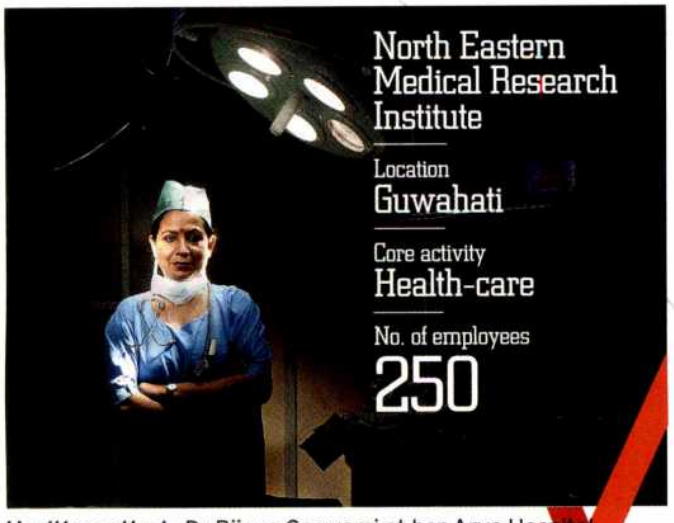
Category Winners

Wealth from Health

Complete transparency in financial dealings sets Arya Hospital apart

In 1996, Bijoya Goswami, an anaesthesiologist at the Guwahati Medical College, and her husband Anil Kumar Sarma, quit their jobs to start their own hospital. By 2011/12, the company they set up to run it, North Eastern Medical Research Institute Ltd, had a turnover of ₹11.75 crore.

At the start, banks refused them loans outright. "We went around begging from our friends and relatives, who put in sums of ₹5,000, ₹10,000, or so," says Dr Goswami, 53. But it all added up, enabling them to set up a tiny hospital with eight beds. All the 945 people who contributed – retired government officials, small businessmen, and teachers – became shareholders in the company.



ANUPAM NATH

Healthy outlook: Dr Bijoya Goswami at her Arya Hospital

Best SME in Northeast India

As it happened, a patient treated for a hip bone fracture offered to sell Dr Goswami and Dr Sarma his land to build a bigger hospital. Today, Arya Hospital, as it is called, has 100 beds. What sets it apart, Goswami maintains, is its emphasis on quality treatment and complete transparency in financial dealings.

TASLIMA KHAN

Star SME Manufacturing (Medium)

Engineered to Win

This maker of engineering equipment has been growing rapidly

Jayesh Parikh had a modest goal when he set up Chem Process System in 2001. "I wanted to do business of ₹50 lakh to ₹60 lakh a year and make a profit of 10 per cent, so that I could buy a Maruti 800," he says. Revenue touched ₹70 lakh in the first year, and Parikh bought his car.

Since then, the engineering equipment maker has grown exponentially. In 2011/12, it earned a net profit of close to ₹7 crore on sales of ₹108 crore.

Parikh, who is also Chem Process's Managing Director, is now turning his attention to water desalination plants. This is apt given that his state Gujarat has India's longest coastline. "We are targeting rural areas," he says. "These plants will be small, not very energy-intensive, and easy to operate."

Parikh, who worked with two family-run businesses before setting up Chem Process, wants his company to have wholly professional management. He is confident Chem Process has the potential to be a ₹400-crore company in five years' time. But he is not in a hurry to expand. "We look at our success in terms of new technical developments and not money," he says.

G. SEETHARAMAN

Chem Process System

Location
Sanand, Gujarat

Core activity
Making engineering equipment

No. of employees
300

Stairway to success: Jayesh Parikh at his factory

NISHIKANT GAMRE/www.indiatodayimages.com

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BT-YES BANK BEST SME SURVEY

Omega Elevators

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

Star SME Trading (Medium)

Time Is Money

Quick returns from trading coal on the commodity exchange have made the difference

Fair exchange: Mohit Aggarwal of AMIL at a coal-trading site

It had never been done before. In 2011, Aastha Minmet India Ltd (AMIL), formerly a steel trading company, moved into coal, buying it from overseas. But instead of hunting for buyers, it began – for the first time in India – trading it on the commodity exchange.

This gave it an immense advantage. Coal buyers are allowed 90 to 120 days to make payment after receiving their supplies, but by using the exchange, AMIL was able to get payment within 10 to 15 days. This left AMIL another 75 to 105 days to pay its own suppliers, so it used the money instead to buy more coal and trade that as well on the exchange.

Starting with 20,000 tonnes of coal in 2011/12, mainly from Indonesia, AMIL now imports a million tonnes. "This year (2013/14) we plan to import three million tonnes of coal," says Mohit Aggarwal, Chairman and Managing Director, AMIL.

AMIL had revenues of ₹165 crore in 2011/12, but Aggarwal estimates it has grown to ₹700 crore in 2012/13. Margins in the coal business are small. AMIL sells coal at an average of $50 per tonne, while its overall landed cost in getting the coal to India is around $48. "We play on $1.5-2 per tonne," he says.

Aggarwal is considering going in for an initial public offering soon to raise around ₹42 crore. "The money will help us buy stakes in existing and operating coal mines," he adds. "We plan to sell coal to small power companies whose projects have stalled due to non-availability of coal and in return get power which we will trade on the power exchange."

MAHESH NAYAK

Aastha Minmet India Ltd

Location: Mumbai

Core activity: Metals, minerals & commodities

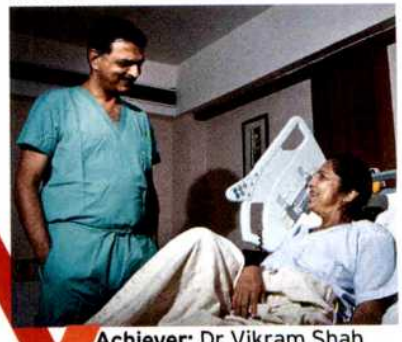
No. of employees: 38

Scalpel and Suit

Taking risks, realising a dream

Vikram Shah, an orthopaedic surgeon from Ahmedabad, had a dream – he wanted to set up a multi-specialty hospital of his own. The joint replacement specialist ran a small nursing home, apart from working at two city hospitals. But it was a big step to take, more so with even his wife discouraging him because of the enormous risks involved. "I didn't have the guts or the money to start a corporate hospital chain," says the 50-year-old Dr Shah.

NISHIKANT GAMRE



Achiever: Dr Vikram Shah with a patient

Star SME Services (Medium)

But eventually he found both. In 2004, pooling his own resources and taking a loan as well, he set up Ahmedabad's first multi-specialty hospital with an investment of ₹24 crore. Shalby Hospitals has since grown into a network of four such in Gujarat and one more in Goa. It has 750 beds in all. The chain posted revenues of

Microsoft

8:24 AM Dev IMs the boss from tablet, gets last minute feedback + Boss gives "proud-of-you speech" to pitch team via video-conference + Dev gets video chat invite from client on phone + Boss proudly mails final PowerPoint (and heartiest congratulations) to everyone **8:57 AM**

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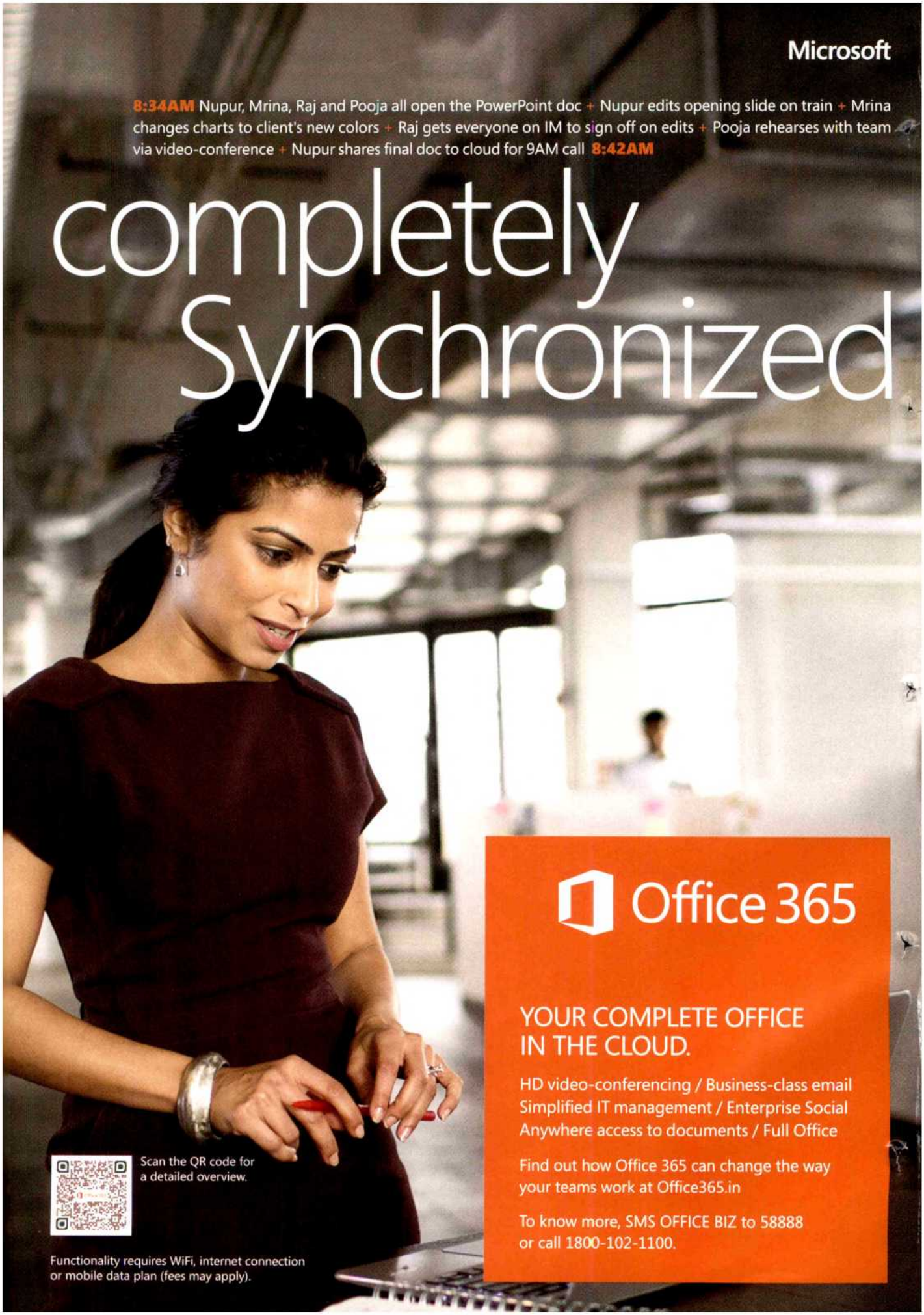
Microsoft
8:34AM Nupur, Mrina, Raj and Pooja all open the PowerPoint doc + Nupur edits opening slide on train + Mrina changes charts to client's new colors + Raj gets everyone on IM to sign off on edits + Pooja rehearses with team via video-conference + Nupur shares final doc to cloud for 9AM call 8:42AM
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₹168.5 crore in 2011/12, not far behind the far better-known Wockhardt Hospitals which clocked ₹218 crore during the same period.

Shah says the Shalby hospital on Ahmedabad's Sarkhej-Gandhinagar Road performs the maximum number of joint replacement surgeries a day in a single hospital anywhere in the world. "We do 30 surgeries a day on average. Today it has been 39 knees and two hips," he added the day *Business Today* met him.

Shalby has no debt on its books and, in an ironic twist, has bought out one of the hospitals Shah used to work at earlier, Krishna Hospital in Ahmedabad. The chain's CEO Ravi Bhandari says the company believes in owning majority stakes in hospitals because management control is crucial. Shalby has enormous room to grow: the Indian health-care delivery market is poised to expand more than six times between 2011 and 2021 to $84.2 billion, according to a December 2012 report by PricewaterhouseCoopers. Already, the chain has plans to take its total bed count to 4,000 in five years and widen its presence across the country. If it succeeds, Shalby could well be a far bigger and more recognisable name in health-care in future.

G. SEETHARAMAN

Shalby Ltd

Location
Ahmedabad

Core activity
Health-care

No. of employees
705

No Vertical Limit

Many of this company's elevators are powered by wind or solar energy

Nearly a quarter-century has passed but Kumar M. Desai still remembers the incident that sowed the idea of "green elevators" in his entrepreneurial mind. A pregnant woman had to be taken to hospital from her eighth-floor apartment but the elevator was not functioning because of a power cut. "We put her in the elevator, asked more people to get in, and mechanically released the brakes to bring the lift down with the help of gravity," says Desai, founder of Ahmedabad-based Omega Elevators.

That episode led him to explore ways of running an elevator on off-grid electricity generated from solar energy. "But the technology was unreliable and batteries were very expensive," he says. He did not give up. Finally, in 2006, Omega started making elevators that run on wind and solar power. It has installed 80 to 100 such energy-efficient elevators so far.

Omega, whose competitors include multinational giants such as Schneider, KONE, Otis, Mitsubishi and Hitachi, is now pushing its customers to instal LED lights in elevators to save energy.

Overall, Omega has installed 30,000 elevators since it began operations in 1986. "Selling my first elevator was hard. I charged a builder in Ahmedabad 10 per cent more than my competitor but delivered it faster," says Desai. "That elevator is still functional."

G. SEETHARAMAN

NISHIKANT GAMRE

Entrepreneurial mind: Kumar M. Desai

Omega Elevators

Location
Ahmedabad

Core activity
Manufacturing of elevators

No. of employees
1,300

BT-YES BANK BEST SME SURVEY

Best SME for Innovation (Medium)

Not a sack race: Makrand Appalwar (centre) and friends, with the portable water tanks his company makes

RACHIT GOSWAMI/WWW.INDIATODAYIMAGES.COM

The Greening of Plastic

This company profits from plastic's capacity for endless recycling

There is this widely-held perception that jute and paper bags are more eco-friendly than plastic ones. But Makrand Appalwar, a first-generation entrepreneur, and Managing Director of the ₹102-crore polymer – that is, plastic – packaging material company Emmby Polyarns, wants to dispel this notion. Plastics may not be bio-degradable, but so what? "Why not recycle plastics smartly like we do, so that it doesn't have to be put into the earth's crust," he says. "Not only is re-cycling easier and cheaper, plastic occupies little space. One can save hugely on fuel and transportation." Jute and paper weigh more and are more bulky.

Emmby Polyarns manufactures 600,000 jumbo polypropylene – one of the common kinds of plastic – bags every day across four manufacturing facilities at Silvassa, a three-hour drive from Mumbai, and packs close to 75 per cent of all the detergent and tea and coffee brands in India. The company also sells packaging materials to customers in more than 45 countries.

Appalwar's ambition is to scale up his turnover to ₹700 crore in the next five years. To achieve this, he hopes to make the most of water-conservation initiatives in the country. His factory at Silvassa also makes 500 portable polypropylene water tanks every day. He has sold more than 100,000 of them in the last year. These tanks which look like jumbo bags can store more than 1,000 litres of water at one go, and are popular in the rural areas.

Appalwar's business appears to be on a very sound footing.

AJITA SHASHIDHAR

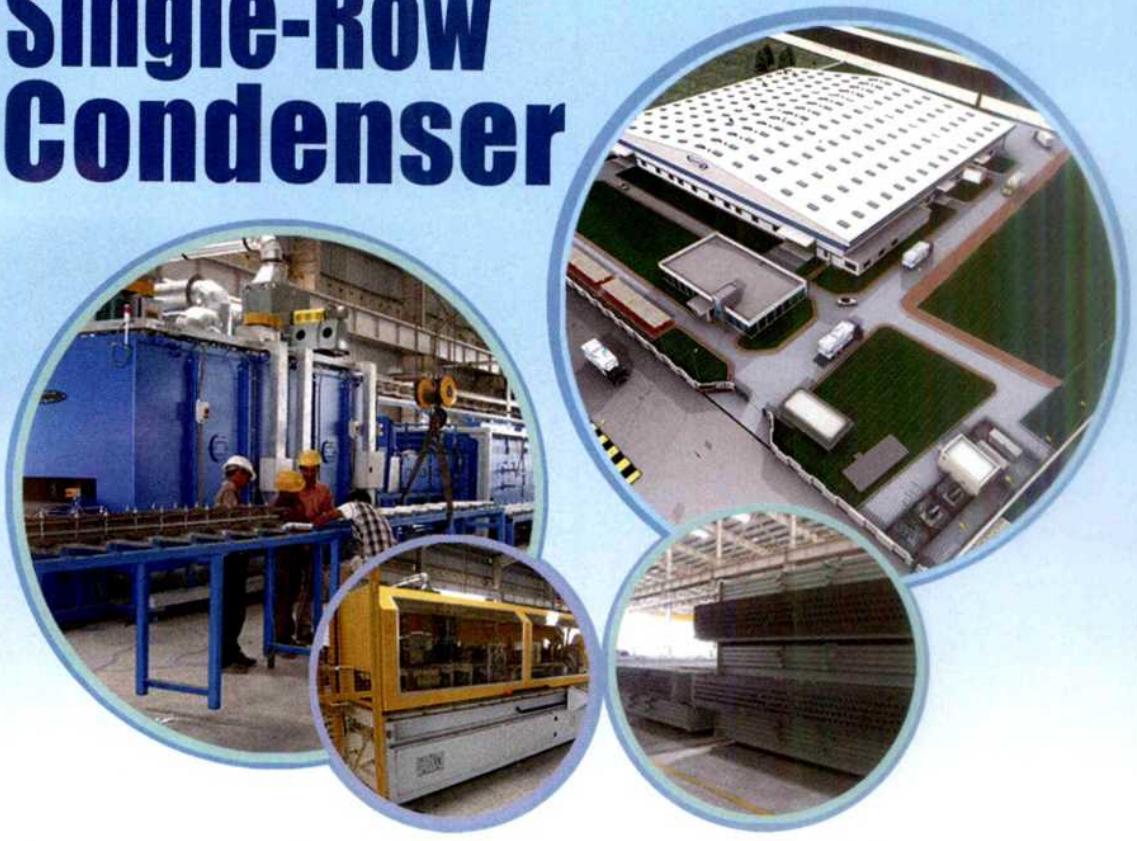
Emmbi Polyarns

Location
Mumbai

Core activity
Packaging

No. of employees
1,400

Paharpur Presents the... Single-Row Condenser



Paharpur has inaugurated India's first Single-Row Condenser manufacturing unit at Savli, near Vadodara in Gujarat. Spread over an area of 46,000 sq m, this factory produces both single-row condensers as well as conventional, multi-row condensers.

With their special aluminium-clad oblong carbon steel tubes and high-efficiency, dimpled aluminium fins, single-row condensers are easier to maintain, take up less space and are more suited for large applications in the power industry. This new single-row condenser technology is complemented by Paharpur's rugged gearboxes, fans and other time-tested components.

For Paharpur, producer of world-class air-cooled steam condensers (ACCs) and a major innovator of ACC technology, the single-row condenser is yet another step in redifining dry cooling technology in the country, so that power plants of any size can be located where they are needed, even if water is not available.

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BT-YES BANK BEST SME SURVEY

Methodology

How We Did It

ADITYA KAPOOR

All smiles: *BT* Editor Chaitanya Kalbag (extreme left) with jury members (from left) Ajay Seth, Abhay Pandey, Sushil Muhnot, Sanjay Agarwal, Vikas Gambhir, Anil Bhardwaj and Arun Maira

The scale of the annual *Business Today*-YES Bank Best SME Survey and Awards gets bigger with every passing year. We received an overwhelming 410,000 applications from SMEs across the country for the 2012 survey, the fourth such. *BT*'s knowledge partner, YES Bank carried out the survey between October 2012 and January 2013 and analysed the data, while accountancy and advisory firm Grant Thornton India validated the numbers and processes.

The SMEs were divided into two categories – small, or companies with net sales of less than ₹50 crore in 2011/12, and medium, or those with net sales between ₹50 crore and ₹200 crore in the same period. In the first phase, we weeded out those companies which had been in business for less than three years, or did not have audited financials, or were not making a profit. This reduced the number of companies to 156,000. We then analysed the companies on the basis of their growth in turnover, net worth and profit after tax as well as profit after tax margins and return on equity.

Based on this data and relevant parameters for different categories, we chose 5,312 companies for the second phase. The shortlisted companies were asked to provide audited annual reports, and additional financial parameters were introduced to assess their growth, liquidity, leverage and operating performance. In addition, site visits and background checks were carried out on them. Based on this analysis, three finalists were shortlisted in each category.

The final winners were chosen by a jury chaired by Planning Commission Member Arun Maira. Other jury members were Ajay Seth, Chief Financial Officer of Maruti Suzuki, Abhay Pandey, Managing Director of Sequoia Capital, Sushil Muhnot, Chairman and Managing Director of Small Industries Development Bank of India, and Anil Bhardwaj, Secretary General of the Federation of Indian Micro and Small and Medium Enterprises. The jury meeting was moderated by *BT*'s Editor Chaitanya Kalbag along with Sanjay Agarwal, Senior President and Business Head, Business Banking, YES Bank, with Vikas Gambhir, Director, Business Risk Services, Grant Thornton, providing support. ◆

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FINDING ELBOW ROOM

Business is down, but hotel chains are working out new ways to keep growing. By MANU KAUSHIK

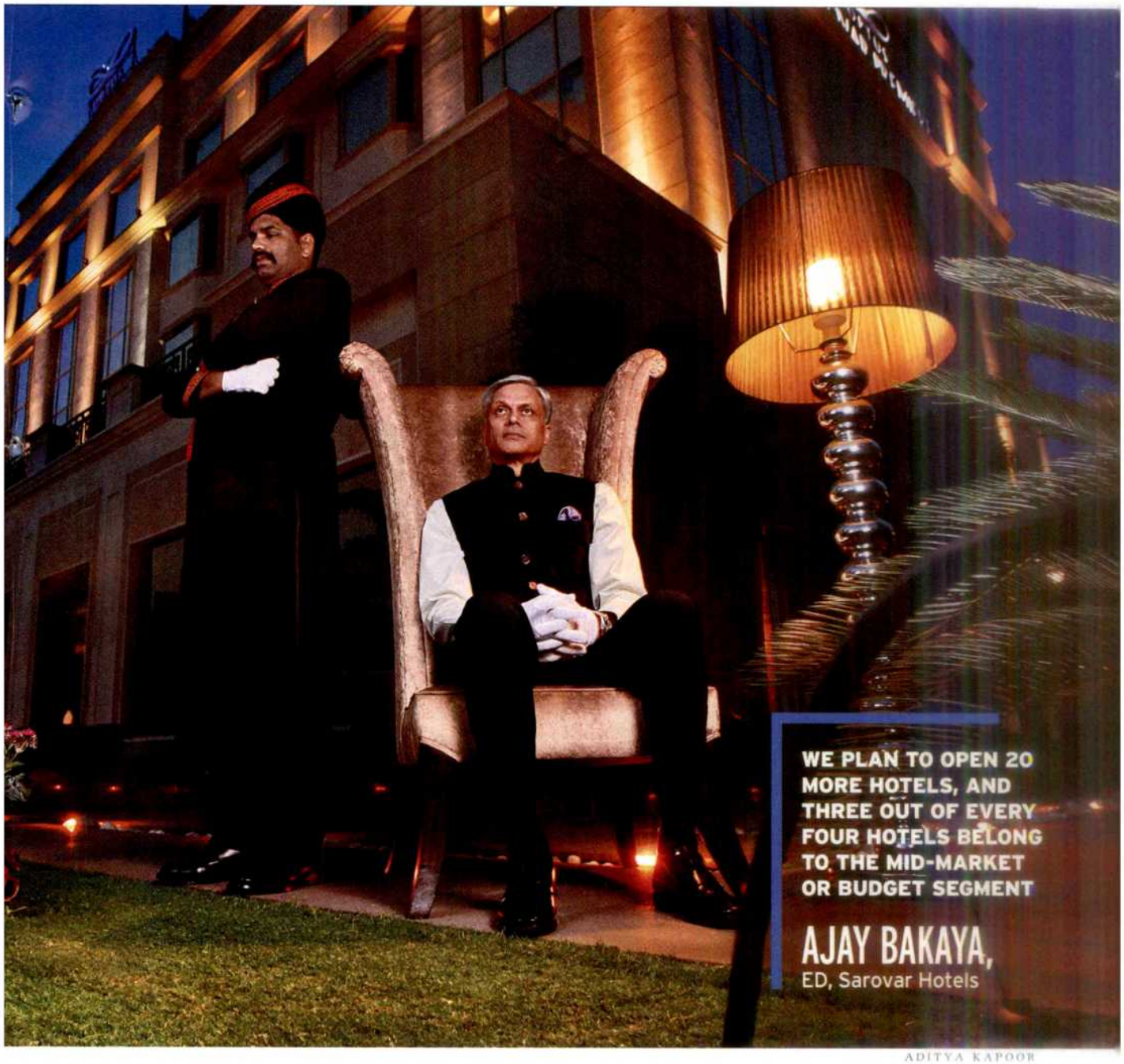
A soothing whiff of lemon greets visitors at the new corporate office of Lemon Tree Hotels in Aerocity, near Delhi's Indira Gandhi International Airport. The office moved here recently from a non-descript building in Okhla Industrial Area, some 20 kilometres away. The snazzy interiors, friendly staff and trademark citrus aroma give no indication of the tough times the hotel chain has been going through.

Aerocity, built as part of an airport modernisation drive, has a Lemon Tree Premier and a Red Fox, both brands of the Lemon Tree chain. The two hotels have a total of 487 rooms. Lemon Tree Chairman and Managing Director, Patu Keswani, has been grappling with airport authorities' objections to the location of these two hotels, among 14 others. "We are waiting for a clearance from authorities," he says. "Till then, the hotels can not be operated. Together, all the hotels have spent over ₹10,000 crore in Aerocity."

Located between Terminal 3 and Terminal 1D of Delhi's international airport, the two Lemon Tree hotels abut an airfield used by heads of state and security agencies. While security agencies take time to figure out a solution, the two hotels lose money daily. But this is not Keswani's only worry – his bigger concerns are falling occupancy, rising expenses and slower income growth. His experience of 11 years in the hospitality sector is of little help in dealing with problems rooted macroeconomic realities. The best he can do is try to fix the other problems.

His thinking reflects a rising trend in a sector struggling with slow demand growth and debt. Hotel industry experts say domestic chains are following in the footsteps of global ones in this regard. "Building hotels is very capital-intensive," says P.R.S. Oberoi, Executive Chairman of EIH Ltd, the flagship company of the Oberoi Group, on e-mail. Hotel chains stay asset-light by signing management contracts with real estate developers. The developer builds the hotel, and the hotel chain runs it for a management fee.

When *Business Today* met Keswani early last year, he was opposed to management contracts, and said it was difficult to get developers in India to build to Lemon Tree's specifications. "In order to build a brand, you need to have consistency in the



ADITYA KAPOOR

EMPTYING OUT

Room occupancy has been declining

2008/09	2009/10	2010/11	2011/12
Room supply 48,475	Room supply 61,795	Room supply 71,531	Room supply 84,313
Occupancy 59.5%	Occupancy 59.5%	Occupancy 60.6%	Occupancy 59.1%

Source: HVS

product," he had said. At the time, he had plans to build and manage his own hotels. But in a few months, his opinion changed. In the middle of last year, he formed a joint venture with former Trident Hotels chief Rattan Keswani to manage hotels. "We will add 5,000 rooms under the management contract by 2016/17," says Keswani of Lemon Tree, which currently owns 2,500 rooms on 20 properties.

Except ITC, no Indian hotel company is putting in money, says Kaushik Vardharajan, Managing Director of hospitality consultancy HVS India. "There is enough pressure on their books already." He is referring to the huge pile of debt on hotels' balance sheets. ITC is an exception as its other group businesses generate enough cash. But in the past year, three chains – Hotel Leelaventure, Mumbai-based Kamat Hotels and Gujarat-based Neesa Leisure – have gone for debt restructuring.

Hotel Leelaventure, with ₹4,550 crore of debt, sold its Kovalam luxury hotel in 2011 to Travancore Enterprises for ₹500 crore, and now only manages it. In November last year, it tied up with real estate player Supertech to manage two more hotels, in Noida and Jaipur.

The Oberoi Group has also been signing management contracts rapidly. Until about last year, it had just one managed property, and owned the other 26. Today, it has two managed properties (Trident Gurgaon and Oberoi Gurgaon), and two more in the pipeline (Trident Hyderabad and Oberoi Dubai). EIH's Oberoi says the chain will be signing more management contracts as "the company does not have to invest its own capital in expanding the chain".

The hospitality sector's problems began four years ago, when demand started slowing down. Given the two-year time lag in the business, hotel chains continued with expansion plans for a while before the slowdown became apparent. By 2012, the total branded available rooms across the country exceeded demand by a huge margin. Average occupancy rates for branded hotels stood at a dismal 59.1 per cent in 2011/12. In 2012/13, HVS India expects occupancy to have been around 60 per cent.

SHEKHAR GHOSH

OUR PROFITABILITY IS DOWN FROM 60 PER CENT IN 2010 TO 40 PER CENT NOW DUE TO INCREASE IN OPERATING COSTS

PATU KESWANI
CMD, Lemon Tree Hotels

Demand has slowed because of the current economic downturn. When conditions improve, experts say, demand will exceed supply by a huge margin. Seen in global perspective, India is still an underserved market. Shanghai city alone had more hotel rooms than all of India in 2011. This is why hotel chains are still expanding, albeit slowly.

But slower growth in demand and debt repayment issues have made banks cautious about lending to the sector. "Five years ago, banks did not really understand the sector well," says HVS's Vardharajan. "Now a lot more due diligence happens before money is lent. Not just becoming more conservative – from lending some 70 per cent of the total project cost four years ago to less than 50 per cent now – the focus has entirely shifted away from promoters' background to project fundamentals."

Trying New Models

As the market becomes shaky, several realty developers and hotel chains are looking at models such as mixed-use development and double-brand strategy.

Mixed-use or integrated development refers to large-scale projects that include residential, retail, hospitality, corporate office and entertainment in one large complex. The model is not new, but the last three years have seen the rise of some big mixed-use projects in metros, such as a Sheraton hotel that is part of the World Trade Centre in Bangalore, a Westin that is part of Mumbai's Oberoi Garden City, and ITC Grand Chola, Chennai's largest hotel.

Oberoi Garden City, for example has three residential blocks, a 32-storey office building, 550,000 square feet of retail space, a hotel and an international school, spread over 80 acres. "The model allows developers to spread the risk across different formats," says Dilip Puri,

Managing Director (India) of Starwood Hotels and Resorts, which manages the Westin there. "For hotels, it gives them a captive catchment, which translates into better footfall and revenue."

Puri says Sheraton Bangalore, which was launched in 2011, has a 20 per cent higher RevPAR than other upscale hotels in the city. RevPAR (revenue per available room) is a commonly used performance indicator calculated by multiplying a hotel's average daily room tariff by its occupancy rate.

Oberoi Realty, builder of Oberoi Garden City, is finalising a hotel operator for another mixed-use project in Worli in central Mumbai. Another developer, Logix Group, has tied up with Hilton Worldwide for a six-acre integrated project in Noida, near Delhi.

Hilton has pioneered double-brand development. Its Hilton and DoubleTree hotels stand side by side in Mayur Vihar in East Delhi. "Both are catering to different markets," says Rajesh Punjabi, Vice President (Development) at Hilton Hotels. "Our Hilton brand is a notch higher than DoubleTree in terms of price. The idea is to attract two customer segments in the same locality."

Others have followed, including Lemon Tree, with its Lemon Tree Premier and Red Fox hotels in Aerocity. The InterContinental Hotels Group (IHG) is close to signing a similar deal with a land developer, where it will have Crowne Plaza and Holiday Inn Express in the same complex. Douglas Martell, IHG's Vice President (Operations), South West Asia, says that building two brands in close proximity helps save up to 35 per cent on costs, because of shared services.

With land costs rising and latent demand for value-for-money hotels, the sector is moving away from luxury to mid-market and budget hotels. According to HVS India, over 55 per cent of the pipeline consists of budget and mid-market hotels.

IHG, for example, has four brands in India. It has plans to open 47 new hotels by 2017, out of which 40 will be mid-market brands such as Holiday Inn and Holiday Inn Express, and the rest will be upscale and luxury brands such as Crowne Plaza and InterContinental.

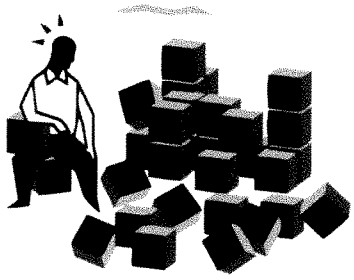
Home-grown chain Sarovar Hotels & Resorts, too, is looking at this segment. "We plan to open 20 more hotels, and three out of every four hotels belong to the mid-market or budget segment," says Ajay Bakaya, Executive Director. Not only is the capital cost relatively low, he says, but the segment also suffers the least when the market is down.

At a time when everything in the sector has registered negative growth, two most important cost components – staff salaries and utility costs – have gone through the roof. "In the past two years, inflation has grown faster than the average room rates, which has eroded profit margins of hotel chains," says Subrata Ray, Senior Group Vice President at ratings agency ICRA.

Lemon Tree's Keswani says: "Our profitability is down from 60 per cent in 2010 to 40 per cent now, due to increase in operating costs." His company, which has opened six hotels in the past 18 months, has been smart, though. Its hotels are designed so that entire floors can be shut down if demand drops. "Unlike other hotels, the air-conditioning and water lines are horizontal in Lemon Tree," he says. "Also, I don't put in carpets. If there are carpets, the moment air-conditioning is off, the carpets stink." These things help him control staff and energy costs.

Global hotel chain Accor, too, strictly controls energy expenses through dedicated implementation of preventive maintenance plans, and by cracking down on energy leakages. "We have been able to save some five per cent on energy costs on account of these initiatives," Jean-Michel Cassé, Senior Vice-President, Operations, Accor India.

Another innovation to minimise expenses is kitchen placement. All IHG hotels in India have kitchens on different floors, but its Holiday Inn in Aerocity will have all the kitchens on a single floor. Now that is an innovative cost-cutting recipe. ◆

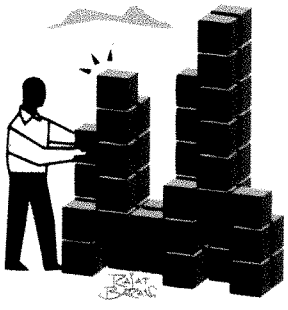


THE PROBLEM

With the downturn, occupancy remains low

Operating costs have risen 20 to 40 per cent in the last three years

Land prices are up, stymieing expansion plans



THE WAY OUT

Invest in the mid-market and budget categories, where reaching break-even point is relatively quick

Try new business models such as mixed-use development, or build two hotels catering to different categories in the same complex

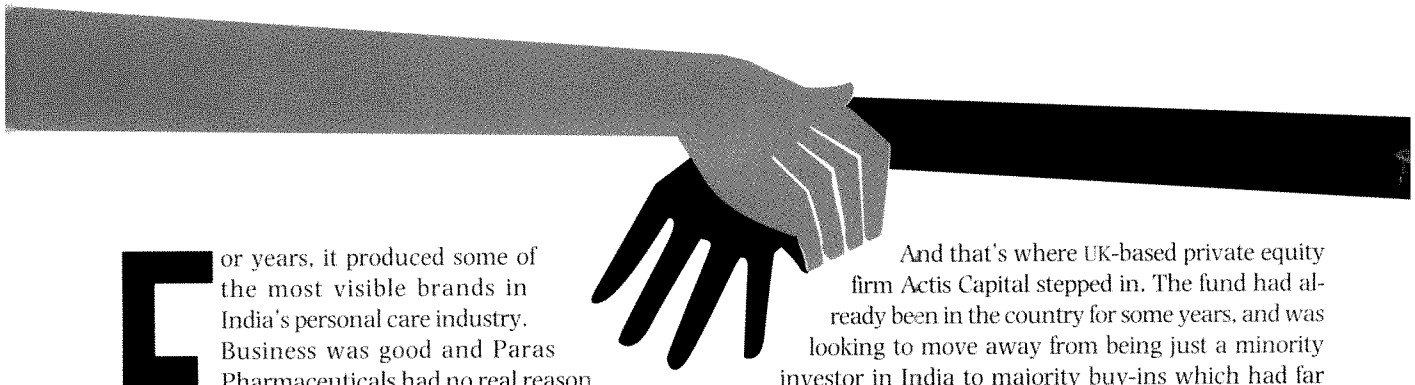
Cut down on costs through better design and better utilisation of manpower

Send your comments to editor.bt@intoday.com

CATALYTIC CONVERTER

Private equity fund Actis Capital has helped Indian companies such as Paras Pharmaceuticals and Nilgiri's, which were stuck in a groove, scale up to the next level.

By SARIKA MALHOTRA



For years, it produced some of the most visible brands in India's personal care industry. Business was good and Paras Pharmaceuticals had no real reason to change anything. But in the early 1990s, the family-run company known for brands such as Moov pain relief ointment and Krack heel care cream was suddenly forced to do some serious soul-searching as competition from global players stared it in the face. The three Patel siblings who ran Paras – Girish, Darshan and Devendra – knew they had to take the business to the next level, but the question was: how should they do that?

There were no easy answers. Going public was ruled out because one of the brothers wanted out of the business. Girish wanted to throw open the company to professional managers, but the family wasn't ready for it then. After trying to figure it out on their own, the Patels finally found their answer: private equity investment. "We had attained size, but were not ready for a mindset change," says Girish Patel. "A family-driven organisation can scale a business to a certain level, but professional management is needed to take it to the next level and enhance its value."

And that's where UK-based private equity firm Actis Capital stepped in. The fund had already been in the country for some years, and was looking to move away from being just a minority investor in India to majority buy-ins which had far more potential for making money. The reason? With a flood of private equity investment pouring into India's booming economy, valuations had shot through the roof and profit margins in exits from minority investments had shrunk considerably. Actis picked up a controlling 63 per cent stake in the Ahmedabad-based Paras in 2008 – and changed the face of the company altogether within two years. "Majority buy-ins give the fund the ability to influence the management and promoters much more, and use its influence to carry out operational improvement. And that operational improvement results in expansion of profit margins," says Actis South Asia head J.M. Trivedi.

The strategy paid off. Paras's turnover leapt to over ₹400 crore in the year ending March 2010 from less than ₹300 crore when Actis invested in it. In December 2010, UK-based consumer goods company Reckitt Benckiser bought Paras for ₹3,260 crore in one of the most successful buyout exits for a private equity investor in India. Actis sold its stake for ₹2,000 crore, more than three times its ₹600

crore investment, while Girish Patel was richer by ₹900 crore after the deal.

Paras is one of several Indian companies that Actis has helped scale up in the 15 years it has been in the country. Typically, private equity firms make significant investments in companies that are either stuck in a financial groove or on the brink of failure. They bring in international networks and special sectoral skills to turn around these companies or help them grow to the next level before exiting at a profit. While private equity firms in the West are mostly involved in turnarounds of distressed companies, private equity investment in India has largely been in mid-sized firms looking to expand further.

Actis, which manages about $4.5 billion in emerging markets, has used the management buy-in or controlled deal route in India to mostly invest in family-managed firms grappling with succession issues or family members looking to cash out their share of a business. Its investments through majority buy-ins include a host of companies such as Punjab Tractors, Sterling Addlife Hospitals and Phoenix Lamps (now known as Halonix). "Unless you do something different with the business you cannot expand margins and that can only happen in a majority buy-in," says Trivedi.

Actis sold its stake in Paras for ₹2,000 crore, a more than three-fold value of its ₹600 crore investment

How did Actis manage to grow a home-grown company such as Paras into a brand with global appeal? It involved itself in every nitty-gritty detail from putting together a new management team that understood the business to recruiting strategic advisers, introducing modern information technology systems and devising a new marketing strategy.

The first big step was to find a CEO who was a perfect fit for the company. Actis and the Patels scoured the market before zeroing in on S. Raghunandan, who then headed Dabur's international

ANATOMY OF A TURNAROUND: PARAS

PATH TO GROWTH: Agree with promoter on **key areas** that will drive **expansion.** Actis and promoter Patel agreed on **new management structure**, depth of distribution and branding

TEAM, TEAM, TEAM: Actis zeroed in on **S. Raghunandan,** head of Dabur's international business and wooed him over **five months.** Girish Patel was part of the process as **alignment** at the leadership level is crucial

REACH, BRAND: When it sold out to **Reckitt Benckiser,** Paras's distribution touched **450,000** points of sale, nearly **four times more** than in 2008. It moved to a four megabrand strategy around **Moov, Livon, Krack** and **SetWet**

business in Dubai. No doubt, the search had to be handled tactfully. "The PE fund does not want to be seen pushing for a candidate. It seeks alignment between the promoter and the manager, as the two have to work alongside on a daily basis," says Raghunandan. He had the right credentials: he knew the ropes of transitioning from a family-run to a professionally-managed business because of his experience at Dabur and he understood the consumer goods segment, having earlier worked with Unilever for a decade.

After putting a new management team in place, the next key ingredient was deciding how to grow the business. Actis focused on streamlining distribution. By the time it sold the firm to Reckitt Benckiser, Paras had grown to a network of 450,000 outlets compared with 120,000 when the fund picked up its stake. "There were big gaps in distribution in the south and west. Paras depended a lot on wholesale distribution, grown by advertising," says Shomik Mukherjee, Partner at Actis. "A roadmap was prepared to expand distribution."

As Actis went about identifying loopholes at Paras and charting out a growth strategy, it also noticed several gaps in the company's information technology systems. For example, Girish Patel had for the longest time done his budgeting on a piece of paper until he was introduced to Excel. Actis began by fine-tuning operations with new software that allowed the company to monitor stocks with distributors and by linking its ERP (enterprise resource planning) platform to an SAP-based software package. "I had twice tried to install SAP, but failed," says Girish Patel.

Actis took the business forward by moving from a product-led branding strategy to umbrella branding. Trivedi says although the company was buying media space at low rates, over time every Paras product had become a separate brand and its advertising budget was getting dissipated across multiple brands. It identified four power-brands – Moov, Livon, Krack and SetWet – and all new products were launched under these mother brands.

The new team also focused on international expansion by setting up offices in Egypt and Dubai. When Actis sold its stake, Paras products were available in 40 countries. "Working in PE-controlled businesses brings in a lot of pace, a sense of urgency as you know that you have only three-four years to play with. Targets are aggressive, and we expect 20 to 25 per cent returns every year, much ahead of the market rate of growth," says Raghunandan, who has since left Paras and today is CEO of fast moving consumer goods' major, Jyothy Laboratories.

"A family-driven organisation can scale a business to a certain level but professional management is needed to take it to the next level"

GIRISH PATEL, Promoter, Paras Pharmaceuticals

Paras is not the only Actis success story in India. The fund is now looking to sell its controlling stake in the 108-year-old south Indian supermarket chain Nilgiri Dairy Farm Pvt Ltd after growing it into a big regional brand. When Actis

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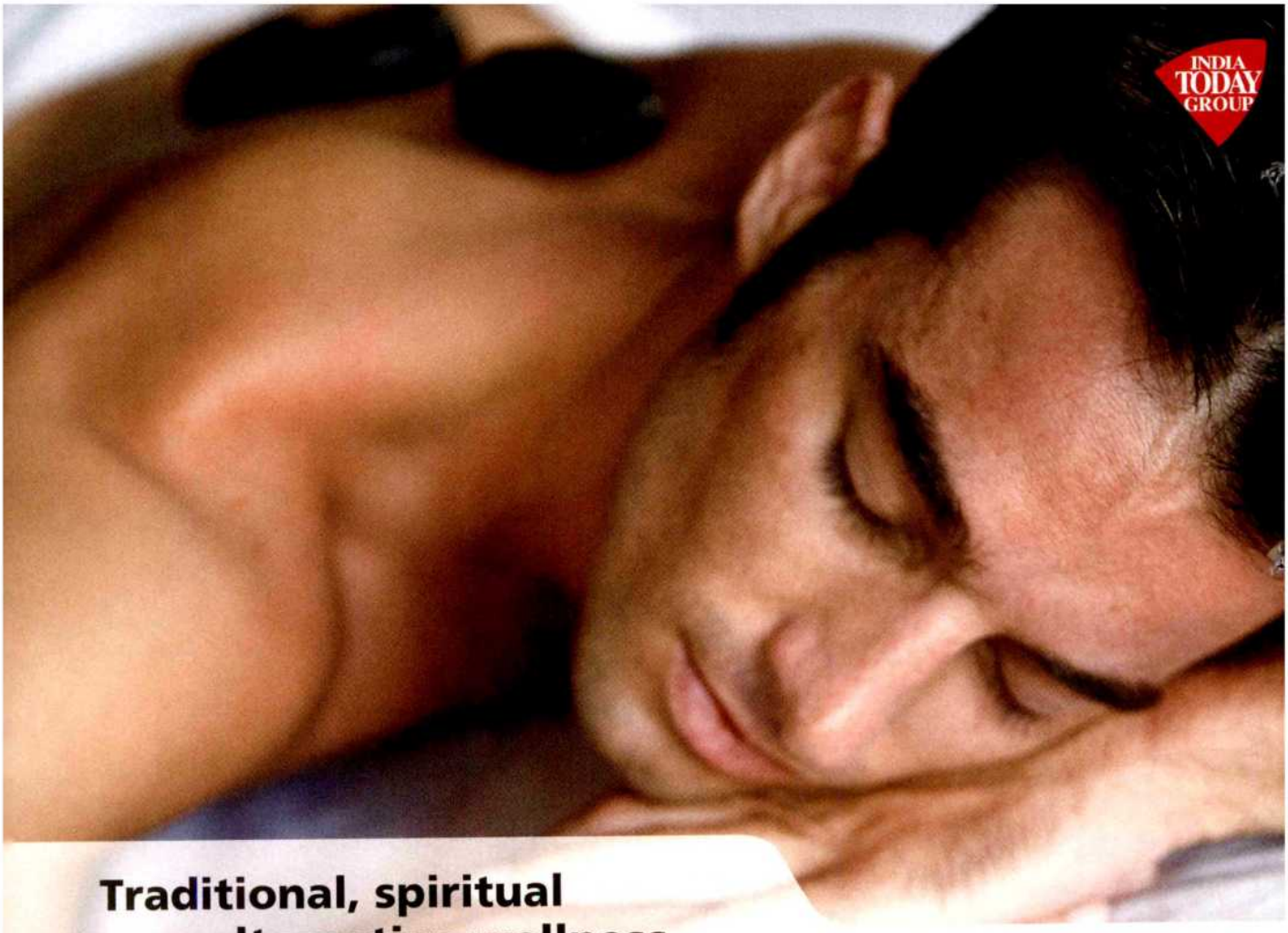

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DEEPAK G. PAWAR

picked up a 65 per cent stake in Nilgiri's in 2006, the company seemed to have hit a wall. The chain known for its dairy and baked goods was in danger of turning into a fuddy-duddy brand totally out of touch with modern tastes. Various members of the Muralidhar family, which founded the company in 1905, wanted to go in different directions. Faced with operational challenges, the family appointed a banker to raise private equity after it felt it could not expand the business on its own. "When a family hands over control to a PE fund, it is looking for a combination of value protection and value enhancement," says Actis partner Mukherjee.

"In a PE-controlled scenario you know that you have to build the business for an exit"
MURALI KRISHNAN, CEO, Nilgiri's

Actis put together a team with experience in companies dealing with consumer goods, retail and confectionary. The new team noticed that Niligiri's lacked a contemporary edge and introduced a host of products such as health foods, fruit yogurt and chocolates to reach out to younger customers. For example, after some market research, it pushed Nilgiri's to expand from just white bread to brown bread. Today, it offers eight varieties of bread. The company also introduced edgier packaging to grab customers. "Consumer research showed that we had to get into new categories which indicate innovation, freshness and contemporariness," says Mukherjee.

But it wasn't an easy ride. After Actis got a new management team in place, it ran headlong into a row with the promoters over how to use funds raised from the sale of some Nilgiri's real estate. The family wanted to distribute the money as dividends while Actis wanted to reinvest it to expand the business. Experts say such differences are inevitable when family-owned businesses cede control and adapt to a private equity environment. "In a PE-controlled scenario, you know that you have to build the business for an exit – build a large scaleable business with a strong foundation so that the next acquirer sees value in it," says Murali Krishnan, CEO, Nilgiri's.

Actis and Niligiri's eventually resolved their differences and worked on expanding the retail network. They experimented with a master franchisee model which did not work before returning to the traditional owner franchisee model. "It was agreed to focus on retail with food as the key differentiator," says Mukherjee. "Concentrate on a convenience format – all stores within 2,000 to 2,500 sq feet, in the neighborhood."

The strategy seems to have paid off. In the past six years, Nilgiri's has grown into a chain of 130 stores compared with just 30 when Actis picked up a stake. It is partly a result of the new team's understanding of the industry, but it is also thanks to big investment in infotech. New infotech systems gave the team access to key indicators such as store sales and allowed it to monitor growth by category or retail outlet. "It is a much more scaleable business now and can go up to 500 stores," says Trivedi.

But it isn't always a smooth sail. "They might get the best talent but implementation remains the key," says Prabhu Ramachandran, Director, Nilgiri's. "Sometimes the legacy of the brand suffers due to this." ◆

Send your comments to editor.bt@intoday.com

Avatar 2

The film industry transforms as big studios find low-budget movies an attractive proposition. By AJITA SHASHIDHAR

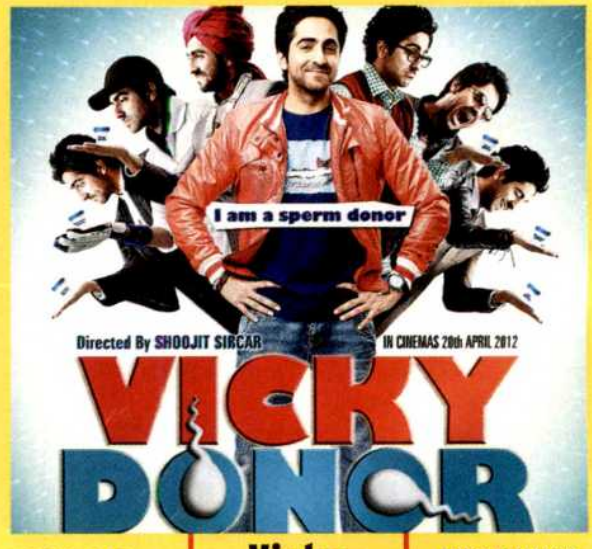
Sujoy Ghosh is on cloud nine. The writer-director of *Kahaani* recently won this year's National Award for Best Original Screenplay and congratulatory calls are pouring in. It has been a great year for Ghosh with the film winning several other awards as well, apart from being a major box office hit. Ghosh had previously made only two films, both of which flopped. Did he expect *Kahaani* to be such a success? It's a surprise, he admits, recalling the trouble he had arranging funds for the movie. "We were rejected by several studios as they felt *Kahaani* was an expensive project," he says.

Ghosh adds that few were willing to put money on a suspense-thriller with a female actor (Vidya Balan) in

Sleeper Hits

Some of the low-budget films, backed by big studios, which stormed the box office in 2012

TOTAL COST ₹19 cr | **Kahaani** | TOTAL REVENUE ₹39 cr



TOTAL COST ₹11 cr | **Vicky Donor** | TOTAL REVENUE ₹38 cr

the principal role. *Kahaani* was made on a budget of ₹11 crore, half the amount estimated initially. Its co-producer, Viacom 18 Motion Pictures, spent another ₹8 crore on marketing. But this story of a pregnant woman in search of her missing husband earned ₹27 crore in box office collections. It pocketed another ₹8 crore by selling satellite rights, and ₹4 crore from overseas distribution.

Kahaani is one of several small-budget, content-driven films that have succeeded in spite of not having a single top male actor in its cast. Other such films include *Vicky Donor*, *Paan Singh Tomar* and *English Vinglish* – all of them bringing in unexpectedly high returns. *Vicky Donor*, co-produced by Eros Entertainment and John Abraham Productions, cost only ₹5 crore to make. Eros put in another ₹6 crore on marketing the film. The film raked in ₹38 crore as revenue. *Gangs of Wasseypur* Parts I and II, co-produced by Viacom 18 and Anurag Kashyap Films, had a budget of ₹18.4 crore. The two earned ₹54 crore from the local market and ₹5 crore as minimum guarantee for overseas distribution rights.

The film industry's revenue climbed 21 per cent to ₹11,240 crore in 2012, aided by the success of low-budget films

The success of low-budget films is proving an important factor in the industry's growth. The film industry's revenue climbed 21 per cent from the previous year to ₹11,240 crore in 2012, according to a report by the Federation of Indian Chambers of Commerce and Industry and consulting firm KPMG. The success of low-budget films has also prompted big studios and production houses to take a new look at their business models. Until a couple of years ago, studios such as Eros Entertainment bet mostly on big-budget films involving top actors such as Shah Rukh Khan and Salman Khan. Not any more. Of the 25-odd Hindi films that Eros plans to release, 12 are in the ₹5-10 crore

TOTAL COST **18.4 cr** | **Gangs of Wasseypur** | TOTAL REVENUE **₹59 cr**

TOTAL COST **₹25 cr** | **English Vinglish** | TOTAL REVENUE **₹46 cr**

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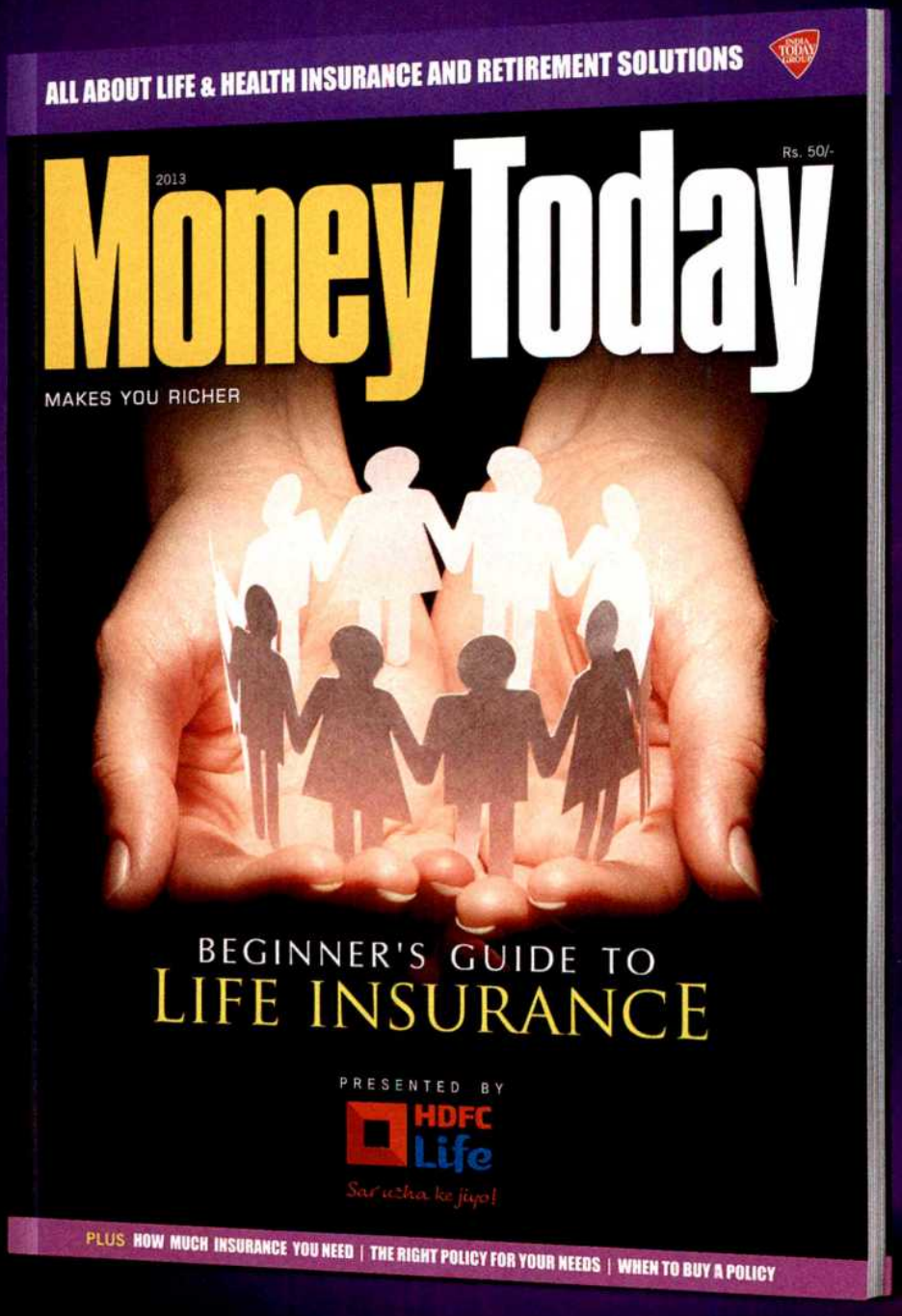

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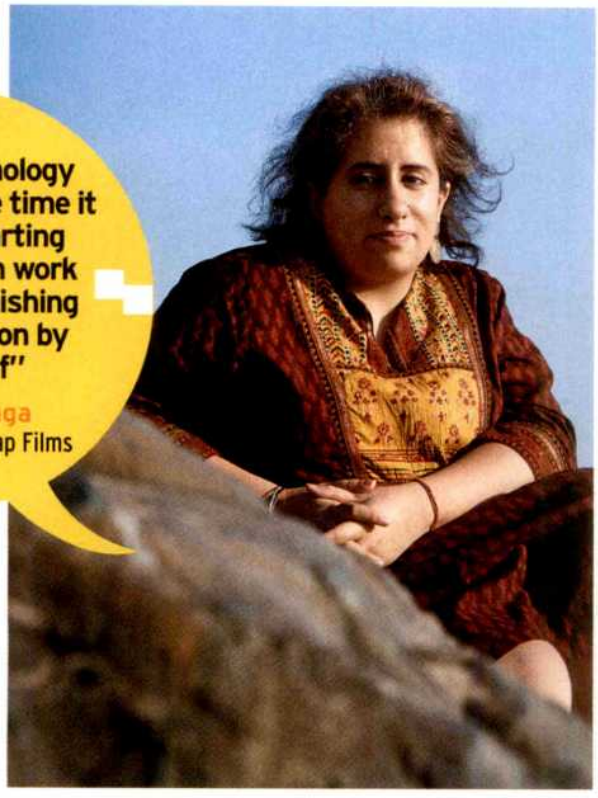

NISHIKANT GAMRE/www.indiatodayimages.com

"Digital technology has reduced the time it took from starting pre-production work on a film to finishing post-production by almost half"

Guneet Monga
CEO, Anurag Kashyap Films

budget range. Viacom 18 says almost 80 per cent of its films in 2013 will be low-budget. Disney UTV Studios will have an equal mix of star-driven and low-budget films this year.

"If you invest in a ₹5-6 crore film and it does not do well, you lose ₹2-3 crore at the most," says Kamal Jain, Chief Financial Officer at Eros Entertainment. "But if it does well, the upside can be as high as ₹20 crore." Are low-budget, content-driven films less risky for studios? *Kahaani's* Ghosh feels investing in smaller films is a good way to hedge risks. Adds Vikram Malhotra, Chief Operating Officer at Viacom 18: "If you can contain the budget of a film and get great returns, it enables you to invest in more such projects. The return on investment is much higher in smaller films. If the film does well, you could end up making twice the money you invested."

Mukesh Bhatt, Chairman and Managing Director of Vishesh Films, prefers to call such movies "real-budget" films. "A real-budget film helps to minimise risks," he says. "You can absorb the losses if the film does not perform." Most of his films, such as *Murder*, *Raaz* and *Jism*, have been made on less than ₹5 crore.

No doubt there are dissenting voices as well. Siddharth Roy Kapur, CEO of Disney UTV Studios, agrees that mass acceptance of content-driven films has brought a new dimension to the economics of movie-making. But he still believes the really big bucks come from films featuring big stars. *Son of Sardar*, for instance, also released last year, starring Ajay Devgn and Sanjay Dutt, cost about ₹80 crore to make, but earned more than ₹190 crore from the local and overseas markets plus satellite and music rights. Similarly, *Dabangg 2*, starring Salman Khan, raked in revenues of ₹140 crore. *Jab Tak Hai Jaan*, with Shah Rukh Khan in the lead, earned ₹118 crore. "Stars are extremely important for a studio's success," says Kapur. "With every *Paan Singh Tomar* there has to be a *Rowdy Rathore*." *Paan Singh Tomar*, the real life story of an army athlete-turned-dacoit, which won the National Award for Best Film for 2012, had Irrfan Khan playing the protagonist. *Rowdy Rathore*, a typical Bollywood action-comedy, had Akshay Kumar in the lead.

Digitisation has enabled the transfer of films via satellite. It has also cut costs. A digital print costs just ₹20,000 compared to ₹70,000 for an analog one

Investing in low-budget films rather than expensive ones also means more movies can be made without increasing the studio's overall film-making budget. No longer does a studio focus on just one or two films a year. Most, on average, have three to four creative teams which work on several projects simultaneously. Last year, Eros churned out 70 films, including regional movies. Disney UTV and Viacom 18 produce around 20 films a year. This helps them cut business risk. "If one film does not work, we have four others to fall back upon," says Malhotra of Viacom. Most studios want to keep making four to five films with big stars every year hoping to recover whatever losses they make on films that do not succeed.

Digital revolution

Apart from modest budgets, what has led to many more films being produced by studios is the adoption of digital technologies. More than 70 per cent of films today are shot digitally. "Digital technology has reduced the time it took from starting pre-

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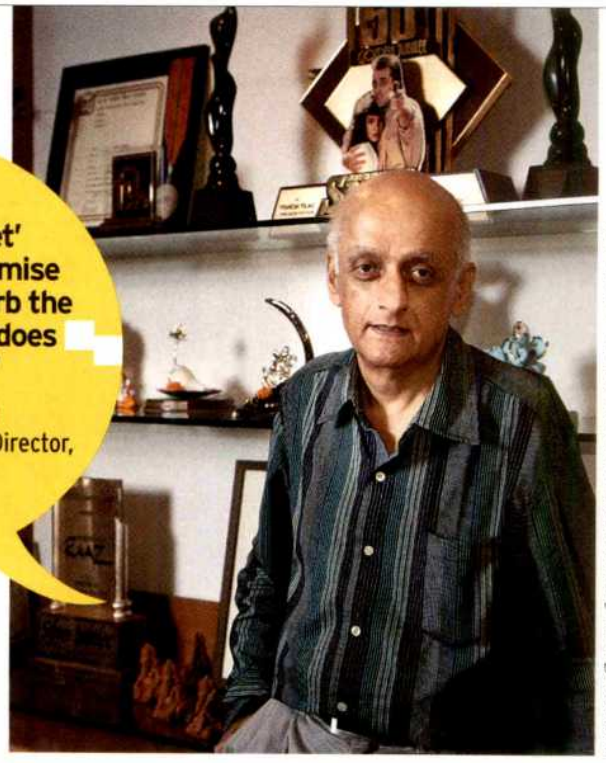

NISHIKANT GAMRE/www.indiatodayimages.com

"A 'real-budget' film helps to minimise risk. You can absorb the losses if the film does not perform"

Mukesh Bhatt
Chairman and Managing Director, Vishesh Films

production work on a film to finishing post-production by almost half," says Guneet Monga, CEO of Anurag Kashyap Films. "Editing can be done immediately on location, unlike earlier when editing took a good 60 to 70 days."

Greater use of digital technology has also reduced crew size by almost half, saving on salary costs, says Rucha Pathak, Senior Creative Director, Studios, Disney UTV. It has also done away with the need to process the film in a lab after the shooting. Earlier, film processing would take up to two months and the entire filmmaking process as much as a year. Some films took even longer. *Mughal-e-Azam*, the epic period film released in 1960, took 10 years to complete. Contrast this with *Vicky Donor*, which was shot in 60 days.

Film-making is not the only process that has gone digital. The film exhibition business has also followed the same path. Until a few years ago most films were released on analog prints which had to be transported manually to theatres. This limited their reach and required a big budget for distribution, which only filmmakers with deep pockets could afford. Digitisation has enabled transfer of films to theatres via satellite, cutting costs. Again, a digital print costs only ₹20,000 compared with ₹70,000 for an analog print, which further reduces expenses. *Vicky Donor*, for instance, was released in more than 700 theatres. Kamal Gianchandani, President, PVR Pictures, says films such as *Vicky Donor* and *Paan Singh Tomar* would probably not have gone for the large-scale releases they did had it not been for the shift to digital prints.

Digitisation has also made it possible for more films to touch the ₹100 crore revenue mark as prints can now reach theatres in the smallest of towns on the very first day of release. Pankaj Jaysinh, Chief Operating Officer at UFO Moviez, a provider of digital technology to theatres, says digital screens have made movie exhibition "a lucrative, viable business".

To cut the risks from low-budget movies, most studios prefer doing end-to-end production as well as marketing and distribution

Pitfalls

While the studios see merit in making budget films, they are also aware of the pitfalls. In some ways, low-budget movies are more risky than big-budget ones. Even if a Shah Rukh Khan or Salman Khan film does not perform well at the box office, for instance, it still earns a large amount through pre-release distribution deals, sale of satellite rights and overseas distribution rights. Low-budget movies, however, are able to sell satellite and overseas rights only when they succeed commercially.

Finally, it is well known that only around 10 per cent of films made money. The same is true of the low-budget films that hit the screens last year. For every *Kahaani* that was a hit, there was an *Aiyya* that had a disastrous run. *Aiyya* lost ₹3.5 crore. To cut risks most studios prefer not to merely co-produce such films, but to take up marketing and distribution as well. Eros says its future strategy would be to avoid co-production deals for smaller projects. "Sharing intellectual property with a production house for a ₹5-6 crore film does not make too much sense," says Jain, Eros's finance chief.

Multiple revenue streams and technology may have made it easier to produce and market films. But some risks will always stay. "I do not think risks have come down," says Malhotra of Viacom 18. "At the end of the day we continue to bet on creative talent, which is not consistent."◆

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KOREAN AIR AND SWISS AIR

BRING OVERSEAS SERVICE TO INDIA

Airbus A330-300 enhances leisure and business air travel Indian skies have turned exciting for foreign airlines as the country promises the growth that they were looking for. Two airlines Korean Air and Swiss airlines have capitalized on the Indian demand for overseas services and have utilized their fleet of Airbus A330-300 to enhance convenience for leisure and business travelers.

KOREAN AIRLINES STARTED ITS DIRECT SERVICE FROM SRI LANKA AND THE MALDIVES TO SEOUL INCHEON ON MARCH 9 AND SWISS INTERNATIONAL AIR LINES HAVE THEIR DAILY FLIGHTS FROM MUMBAI AND DELHI TO ZURICH AND BEYOND. BOTH THE AIRLINES HAVE A HOST OF SERVICES FOR THE TRAVELER TO MAKE THEIR FLIGHT COMFORTABLE AND MEMORABLE.

KOREAN AIRLINES: Korean Air's new three times weekly direct service will fly from Male in the Maldives to Colombo in Sri Lanka first, and then onto Seoul/Incheon in Korea. The Male-Colombo-Seoul/Incheon flights will operate every Tuesday, Thursday and Sunday.

Korean Air's new Male-Colombo-Seoul/Incheon route will be operated with an Airbus 330-300, seating 276 passengers and equipped with Korean Air's premium seats. First Class has 6 Sleeper Seats - the 180 degree full-flat beds with an 83-inch pitch and a 21-inch width, guaranteeing comfort and freedom during the flight. Prestige (Business) Class has 18 full-flat Prestige Sleeper Seats with a 78–80-inch pitch and extra-large seat partitions offering comfort and privacy. Passengers in all classes can enjoy the new AVOD (Audio & Video on Demand) system that offers upgraded in-flight entertainment with high resolution and a high processing speed which ensures quick passenger access to entertainment services.

The new Korean Air route ensures travelers from the Maldives and Sri Lanka hassle-free journeys to Korea and convenient transit to destinations in the Americas, Japan, China and other Asian countries. In addition, travelers from South Indian cities such as Chennai can also enjoy air travel to Seoul Incheon and beyond via Colombo where airport transfer is comfortable and relaxing.

With the launch of the new route, the demand for both business and leisure travel to and from the Maldives, Sri Lanka and South India is expected to increase. Korean Air's new service will also enhance the relationship between Korea and Southwest Asian countries and improve Korea's ties to the region.

Korean Air, with a fleet of 155 aircraft, is one of the world's top 20 airlines, and operates more than 400 flights per day to 125 cities in 45 countries. It is a founding member of the SkyTeam alliance, which together with its 19 members, offers its 552 million annual passengers a worldwide system of more than 15,000 daily flights covering 993 destinations in 187 countries.

In 2011, Business Traveler named Korean Air the best Asian airline for the fifth consecutive year, while Global Traveler awarded the airline with best airline in northern Asia and best airport staff/gate agent. The carrier won the 2010 global travel catering distinction award by Pax International magazine while World Traveler magazine rated it as having the world's best in-flight service. Travel & Leisure magazine readers say it is one of the world's top 10 international airlines and readers of Conde Nast Traveler magazine voted Korean Air one of the world's top ten global airlines.

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* This Schedule is for the period April 1st, 2013 to April 27th, 2013

Origin	Destination	Flight	Departure	Via Colombo	Arrival	Day
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Comfort, luxury, peace, quiet and privacy are the hallmarks of SWISS First. The experience begins with separate check-in on arrival at the airport and dedicated lounges prior to departure. Once aboard, travelers are welcomed by attentive, caring flight attendants and amenities like comfort kits by Swiss luxury brand Bally, slippers, anti-noise headphones and top-quality pajamas. The large cabin offers a genuine "suite above the clouds" with a seat that turns into a fully flat bed. Thanks to the unique additional "guest seat", SWISS First travelers can also have their partner or travel companion join them to eat or to work. In SWISS's First Class, it's the guest who decides when the kitchen is open. The gourmet restaurant aloft offers a full menu of up to seven courses, all created by leading Swiss chefs.

SWISS business class provides a thorough quality service such as separate check-in, priority boarding and baggage delivery and business lounge access. On board, the innovative seating concept, giving customers high degrees of privacy, features a seat which can be converted into a totally lie-flat two-metre bed for a restful sleep.
Culinary needs are amply met, too, in the form of a five-course menu which – like its First Class counterpart – has been specially created by the finest Swiss chefs.

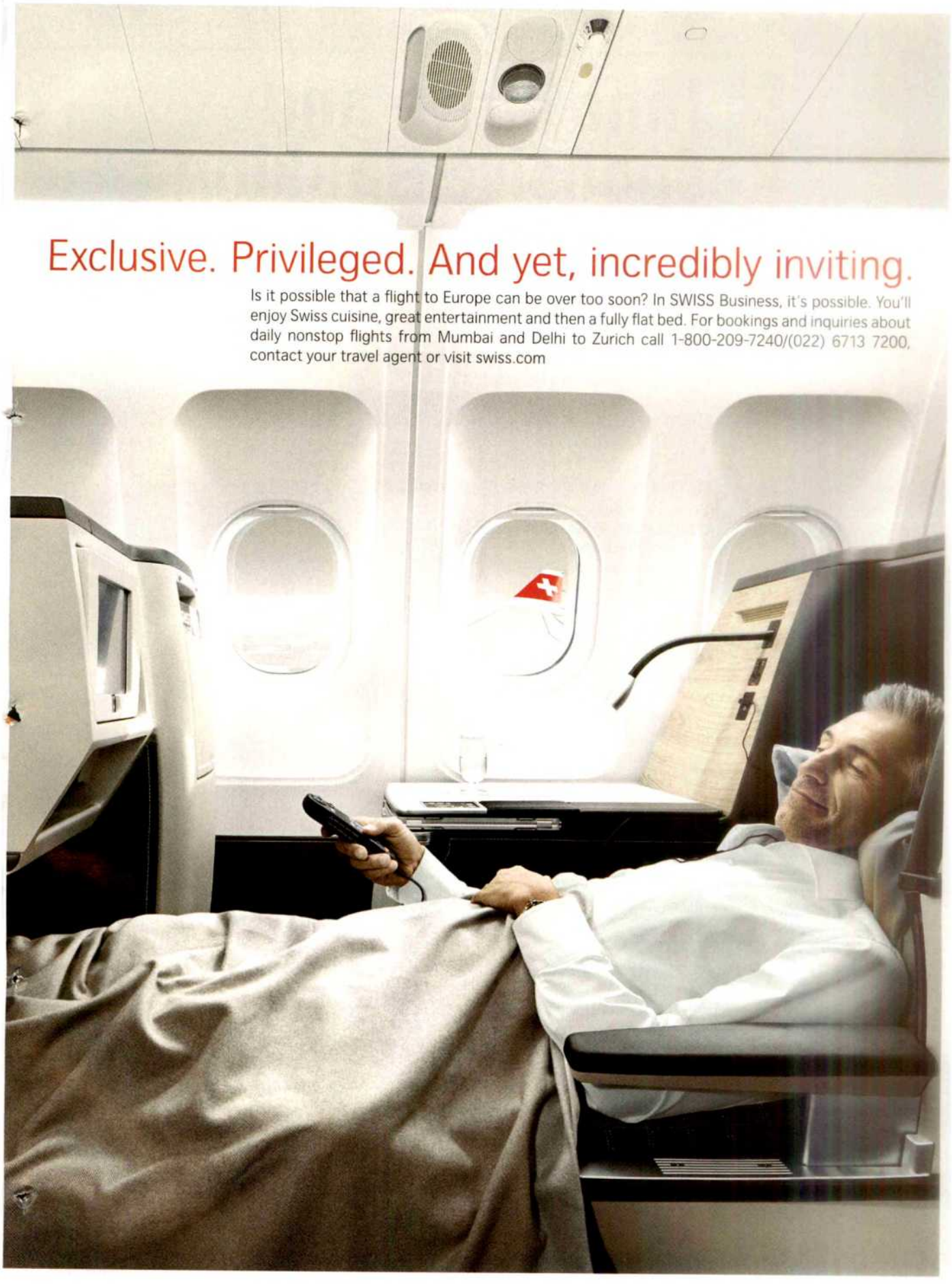
Excellent value for money, outstanding and charming service and a special touch for families; these are the calling cards of the SWISS Economy product. On intercontinental flights, the adjustable seat headrest and swivel ears offer optimum long-haul comfort. On the Airbus A340 and the A330-300, the seat is also provided with special ergonomic padding for an even more comfortable flight. On the in-flight cuisine front, SWISS Economy guests can choose from a meat or a vegetarian meal, while the SWISS kids' menu is a perennial favourite with younger Economy travelers. On all short-haul services, too, guests are offered a choice of beverages; and on longer flights within Europe, customers are additionally served a hot or cold snack (depending on the flight's length and the time of day) and an accompanying drink.

"SWISS Taste of Switzerland" is the name that SWISS has given to its innovative culinary concept that showcases the cooking and specialties of its home country's various regions. Each chapter in the programme sees a top Swiss chef from a particular canton develop specialties from their region (with accompanying wines), which are then served on board for a three-month period. The concept has proved highly popular with passengers, and has also earned the Mercury Award, the in-flight catering sector's highest accolade, for its innovative culinary approach. The popular "SWISS Taste of Switzerland" concept was further expanded in 2009 when SWISS concluded a long-term partnership with Hiltl, the renowned vegetarian restaurant. As a result, SWISS travelers in all three seating classes now enjoy sophisticated vegetarian creations.

SWISS Lounges are a guarantee of comfort, calm and relaxation far away from the usual airport bustle for travelers awaiting departure. At Zurich and Geneva, the three-lounge complexes offer dedicated facilities for First Class, Miles & More Senator and Business Class travelers. Elegant design, a luxury ambience, Swiss hospitality and carefully-selected food and beverages are all provided throughout, along with modern meeting facilities.

SWISS First and SWISS Business guests and frequent travelers flying to Zurich can also freshen up after they land: The Arrival Lounge (located by the baggage claim in Terminal 1) includes showers and rest areas as well as selected food and drinks. Travelers to Zurich can also enjoy the amenities of a totally new landside Arrival Lounge in Terminal 2. The new facility, which opened last December, offers an extensive food buffet, free internet access, 20 showers, rest rooms, a meeting room, state-of-the-art workstations and more. SWISS's premium customers are also welcome guests at further airport lounges all over the world.

Swiss International Air Lines has been named "Europe's Leading Airline Business Class" in October 2012 World Travel Awards, retaining the title it earned in 2011. The awards reflect the views and votes of more than 183'000 professionals from the worldwide travel and tourism sector. Earlier this year, SWISS also earned the "Best Business Class Catering" award in this year's Skytrax World Airline Awards. The annual industry distinctions are based on a survey of several million air travelers by the UK-based Skytrax consultancy company.



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Innovative and Responsive Banking

IndusInd Bank, is steadily introducing technology-backed innovative products and services, aimed at making banking more user-friendly

Twenty years is a long time in any business, especially in the banking industry where the past two decades have seen a lot of turbulent times. IndusInd Bank was one of the ten banks that were issued RBI license in 1993-94. That august list has been reduced to six with 4 mergers that were necessitated for survival. IndusInd Bank overcame some headwinds in early days, but is amongst the most profitable banks in the country today. The bank has grown in strength over the years, to carve an identity for itself which makes it distinct and unique in the manner in which it does business. The credit to transform the bank to its current avatar rests with a team led by Romesh Sobti, MD and CEO of the Bank, who took over in early 2008; just before the onset of the global financial crisis.

The transformation was not easy *(Read interview: The advocate of universal banking)*. In the past five years, Sobti got the Bank re-capitalised, brought in fresh talent, reorganised the Bank's verticals, improved its financials, acquired new businesses, expanded its network and reset its ambitions. All these efforts have been undertaken to build the Bank into a 'Universal Bank', which offers all products and services to chosen customer segments. In this process, the Bank has stuck to its motto to be a responsive and relevant partner to its customers. A clear vision combined with the collective efforts of its team, the Bank has managed to create one of India's most efficient and effective universal banking operations.

Making the connect

A believer in technology and innovation, Sobti and his team have brought a whiff of fresh air into otherwise mundane banking operations. In a commoditised industry, the Bank has struck the right chord by launching small innovations every six months that is making the market notice them. Take for instance, the provision that allows customers to choose currency denominations of their choice at the ATM. This has found favour among customers of other banks as well. About 76 per cent of ATM usage is by non IndusInd customers with over 20 million transactions at the Bank's ATMs. This offering has resulted in millions of potential customers experiencing IndusInd Bank, and of course, the Bank is tapping into such opportunities to grow its new to bank customer acquisition.

The other element that helped the bank make the connect with customers was the creation of customer facing business units represented by the Corporate and the

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Innovation Corner

The Bank has several innovative firsts to its credit.

Cash-on-Mobile: This facility enables customers to transfer money to anybody even if the beneficiary has no IndusInd Bank account from the mobile application to the beneficiary's mobile number. The beneficiary can then withdraw money from an IndusInd Bank ATM without using the debit or ATM card.

Direct Connect: A phone banking service which allows exclusive customers to speak directly with the phone banking executive without going through the IVR.

Quick Redeem Service: Credit card customers can redeem reward points in cash on transactions instantly by sending an SMS.

Choice Money ATM: Enables the customer to withdraw currency notes as per their choice of denomination.

Check on Cheque: Scanned images of the cheques issued appear on account statement with masked signature to help keep record of issued cheques.

The banking menu

IndusInd's Universal offering includes:

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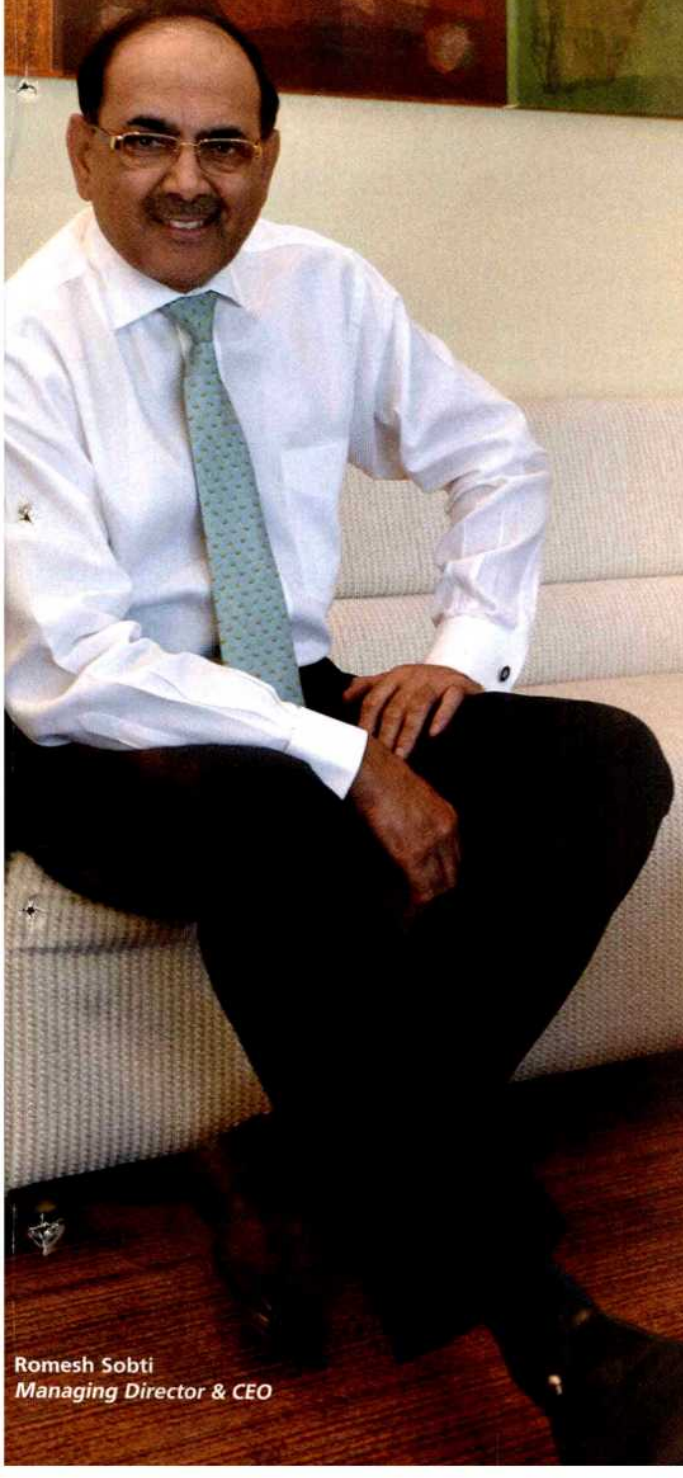
Corporate and Commercial Banking: This covers fund based facilities like working capital finance, bills discounting, export credit, term finance, buyers or suppliers credit, asset base financing, lease rental discounting, supply chain financing and warehouse receipt financing. Non fund facilities include letters of credit, guarantees, forward exchange contracts and derivatives like options and interest rate and currency swaps. Some of the value added services include cash management collection and payment structures, payment gateways, investment banking services that include structured finance and debt capital market syndication.

I strongly believe in universality of banking, which means we will provide all products and services that the regulator allows us to offer

The Advocate of Universal Banking

Banking could be boring, but Romesh Sobti, Managing Director & CEO, IndusInd Bank is setting new standards of innovation which makes his Bank stand out with products and services that attracts customers from both segments—corporate and individuals.



Romesh Sobti
Managing Director & CEO

There were many issues faced by the Bank in 2008 when you took charge, how did you resolve those?

The bank was in existence for 15 years when the management change happened. It was already facing problems in terms of capital, quality of its books and its earnings. There was also the issue of focus and there were issues with people and infrastructure. Yet, the bank never made any losses. The basics were there, and all one had to do was to have a plan and work towards it. We reorganised the bank into client and product segments. So that people had ownership of products and clients. Then, we had to restructure the balance sheet, where we were the highest cost borrowers and the lowest cost lenders in the market. This resulted in us having the lowest net interest margins. We set about addressing each item on the balance sheet. There was an action plan for all that was impairing the bank and we set about addressing each one of them, including infusing fresh talent into the bank.

Every six months we will launch 2-3 innovations that will surprise the market and be of benefit to customers

In what proportion is the bank's business split between corporate and retail banking?

We are equally focused on both these segments. You need to build on both the asset side and the liability side and you need to focus on both the client segments-corporate and individual. I strongly believe in universality of banking, which means we will provide all products and services that the regulator allows us to offer to both the client segments. We are equally focused on both these segments.

But, most banks find it difficult to attain this balance. Some tend to be very strong with retail banking, while others are strong on corporate banking. How does IndusInd strike a balance?

In reality, the market does not dictate a bank to focus only on corporate or retail banking. The market allows you to be present in both the segments; however, it is the bank management's reading of the market which makes them choose where they wish to be. For instance, there are banks which turn into pure corporate banks, some others choose to stay away from balance sheets and focus only on investment banking, then there are banks which focus on treasury management. So, the choice is not driven by the market potential, it depends on how the bank's management reads the market and the segment it wishes to focus on.

We have chosen to be a Universal Bank with equal focus on corporate and the retail business. It is a proven fact that universality pays, as long as you don't do silly things. I believe that good basic banking will converge to universality, especially in India. Market overseas may find niches, like the Wall Street investment banks. But, in India there is scope and potential in both the segments, and we focus on both of them with decent presence in both of them.

How did you go about bringing balance between Corporate and Retail banking?

When the new management came in, we discovered the presence of a sort of NBFC within the Bank. This was a pleasant discovery. But the challenge was to fully nurture its potential. There was consumer finance available through the NBFC, however, it was mostly commercial vehicles. This division blossomed to finance everything on wheels. We diversified across the vehicle finance spectrum, be it 2-wheelers or 6-wheelers. We diversified across the range of vehicles, which was a hedge against any change in the business or economic scenario. We also diversified geographically and had a hedge across the vehicle categories. Next, we acquired Deutsche Bank's credit card business in India and we got into loan against property. This way we expanded our offering in the retail banking space, which we followed with a tie-up with HDFC to offer home loans. With gold loans, in the offing, we have covered the whole gamut of loan products.

The other part was the Corporate Banking part; after all it does mean access to a huge share of wallet. Corporate lending was present when we came on board, but it was not in a manner that we wanted. Lending is not the only thing that one can offer to corporate, there is a lot more beyond lending in the form of global banking products, treasury management, trade finance, a variety of loan products such as term lending, short-term loans and working capital demand loans. It took time to shape the corporate arm of the banking to what we wanted.

Today, the Bank has evolved and we have an equal share of business from retail and corporate banking. We like the balance and will stay this way. There may be minor deviations depending on the market environment, but mostly you will find us to be a Universal Bank with an equal focus on both retail and consumer banking.

How does all of this translate into benefits to the customer and the Bank?

Our objective is to go beyond customer service into customer engagement. We are building this platform of Responsive Innovation by which every six months we will launch 2-3 innovations that will surprise the market. We offer customers the choice of money at ATMs, which means instead of pre-set Rs 100, Rs 500 or Rs 1,000 denomination notes, customers can choose from a combination of denomination options. We need to walk that extra mile to make customers bank with us, because, beyond a point, service levels are the same across most banks.

We also want to associate with good brands, so we act as third-party distributors for home loans, insurance and mutual funds. It's not just about money but the brand that we build and the productivity. It is very easy to replicate a new service or product in the financial industry, but for us it matters to offer the same service at lower cost.

In the Consumer Banking segment, we have attracted more customers by delivering a wide range of products and services through segmented offerings that cater to their fast changing needs. Today, we get about 55,000 new customers every month compared to about 2,000 four years ago. This has been possible with improved service quality at lower costs.

Where do you see the Bank in the next five years?

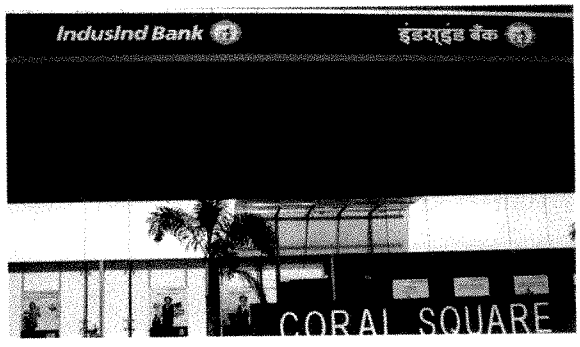
That is a long time. We would rather take small steps. Our vision remains that we will be a Universal Bank. We will offer all products and all services and be the most efficient distributor in the country. That's a very clear objective and we are on our way to being that. We certainly have a vision of being a very technology oriented bank and we have used technology to find customers, to service customers and to engage customers.

Two years ago we adopted the theme to be Responsive. You may have the best products, services, location and people, yet there is immense possibility that we commit mistakes and make customers unhappy. One should respond to customer needs and responsiveness therefore means getting it right first time around, resolving issues quickly. We will steadily grow and focus equally on both aspects of banking-Corporate and Retail. ■

Consumer Client Segments. Each of these client segments was sub segmented to address the needs of different sets of customers. For example the Corporate Bank was sub segmented into Small Business, Commercial Business and Corporate and Institutional Clients. The Consumer Bank was sub segmented in Vehicle Financing and Retail Banking. Within Vehicle Financing further segmentation was created along product lines such as commercial vehicles, construction equipment, passenger cars and two wheelers. Within Retail Banking also further segments were created to address Select, Exclusive, Corporate Salary, Government and other types of Retail Banking customers. To support the client segments, specialist product groups like Transaction Banking, Global Markets and Investment Banking were created or reinforced. As a consequence of effective client focus the Bank is able to develop strong client insight and offer bespoke solutions in all the segments, helping it make the connect.

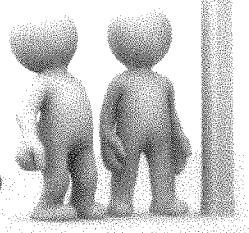
The universal advantage

IndusInd chose and adopted the Universal Banking model because Sobti and his team believe that India's banking market affords immense long term growth potential across Corporate and Retail clients and that Private Sector Banks are well positioned to deliver on this opportunity because of their ability to use technology effectively and build critical mass on both sides of the balance sheet whilst managing credit cycles effectively.



From a business perspective, the advantage of Universal Banking is in the ability to wrap your arms around the customer and cross sell a full range of products and services which in turn creates more revenues and more brand loyalty. Secondly, even in a commoditised market it is possible to create viable businesses through differentiated and innovative offerings and focus on effective execution and performance management. The ability to distribute best in class products to meet customer needs also creates customer engagement and revenue pools. It is not necessary to manufacture all products if you are not an efficient manufacturer. IndusInd distributes Mortgages for HDFC, Life Insurance for AVIVA, General Insurance for Cholamandalam Mitsui Sumitomo and a range of Mutual Fund products on an open architecture basis.

Several Banks have talked about entering the retail space, but that can be a difficult proposition. Retail Banking is a business that is built brick by brick, requires large investments, patience for investment returns and is not a switch that can be turned on suddenly. For example IndusInd finances over 75,000 vehicles in a single month from nearly 1,000 locations in the country and this includes two wheelers, passenger cars, commercial vehicles, construction equipment, utility vehicles amongst other categories. It has taken IndusInd over 25 years to get to this scale in vehicle financing. Through IndusInd's far flung coverage it is truly able to offer any retail product from credit cards to mortgages to vehicles to insurance and this breadth of offerings extracts a significant share of customer wallet IndusInd's way.



The IndusInd Roadmap

- **Vision to be a Universal Bank**
- **Do all products and all services because, done sensibly it makes for healthy earnings**
- **Become an efficient distributor of 3rd party financial products in the country**
- **Use technology to find customers, to service customers and to engage with customers**
- **To lead the market in Customer responsiveness**

Strengthening the base

Compared to its institutionally backed contemporaries such as HDFC Bank or ICICI Bank, IndusInd really started to make significant headway after the management change of 2008 that saw Sobti together with four colleagues from ABN AMRO Bank take over key management functions at IndusInd. This group of five like-minded managers were later joined by a second wave of talent from ABN AMRO. Today IndusInd attracts talent from the top foreign and private Banks and the core management team has been expanded to 13. The Bank is investing in institution building by adding bench strength in key positions through employee engagement that includes career planning, succession planning and training identified future leaders of the Bank.

As the fresh round of banking license comes up, the Bank will face fresh competition. But, Sobti does not seem to be perturbed. He feels new licenses will increase the banking footprint and competition may improve efficiencies. The responsive innovation initiative is something that the Bank will continue to nurture and develop to stand out. The choice money initiative definitely makes the bank come across as caring and one that understands and addresses customer needs. This is a strong brand building exercise, on which strong brand loyalty is built. Having built a strong and talented team, Sobti is focussed on the current strategic phase of the Bank, which is to generate scale with profitability by focusing on clients, branches and some profit boosters. Whilst focusing on the current strategic plan Sobti is already thinking ahead on the levers that will create the foundation for further scale and profitability over the succeeding 3 years. ■

LAST BUT NOT LEAST

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Serves Them Right

ISKCON's Bangalore temple offers 1,200 *sattvic* recipes to raise diners' consciousness to a higher plane. By GOUTAM DAS

PHOTOGRAPHS BY NILOTPAL BARUAH

Soul food: Many worshippers stay back for the lavish buffet at The Higher Taste, the temple's restaurant

Krishna, the eighth incarnation of the Hindu god Vishnu, has moved with the times. He no longer thrives on just butter or yogurt stored in an earthen pot dangling from the ceiling. That would be outright boring, with a global gastronomic explosion afoot. The Lord's feast now includes Italian pasta and bruschetta, Chinese stir-fried noodles, Russian salad, American burgers and French coffee walnut mousse.

That is just a sampler of the offerings at the Bangalore temple of the International Society for Krishna Consciousness, also known as ISKCON or simply the Hare Krishna Movement. After being blessed by Krishna, the food finds its way to the lavish buffet at The Higher Taste, the temple's fine dining restaurant, where *bhajans* play in the back-

ground to remind guests of the food's higher purpose. Here, eating and divinity are closely related. As the restaurant's name suggests, the lip-smacking food is aimed at helping diners reach a higher level of consciousness.

Various centres of the movement run 100 such restaurants around the world, all of which promote what ISKCON calls *sattvic* vegetarianism. *Sattva* is Sanskrit for 'pure'. ISKCON's cuisine includes no garlic, onion, high-protein pulses and caffeinated drinks. "*Sattvic* food eliminates chemical reactions that generate negative energy," explains Chamari Devi Dasi, Division Head of The Higher Taste. "To generate the best consciousness, to nourish the mind and soul, eating *sattvic* food is important," she says, a little wrinkle in her forehead marked by a *tilak* made with mud from Krishna's childhood home of Vrindavan. Onion and garlic, she says, generate *tamas*, the state of ignorance.

The Higher Taste employs 280 people, and can cook up to 1,200 dishes. The kitchens at the Bangalore temple – one of the largest ISKCON temples in the world – use 400 kilos of nuts, 250 litres of milk, 150 litres of oil, 500 coconuts, and more than 150 kg each of sugar, rice, potatoes and flour daily. All these ingredients go into 20 types of laddoos, dhoklas, rice dishes and 2,000 samosas.

On holidays, some 20,000 people visit the Bangalore temple, and many stay back to partake of its *sattvic* fare. If ISKCON were a commercial organisation, its food business would be one of the largest in the city rivalling top restaurant chains – through sales from temple counters, its restaurants, stores and catering, it generates revenues of ₹16 crore a year.

For several years, ISKCON's Govinda's Restaurant, at Juhu in Mumbai, has been engaged in a tussle with the Maharashtra state income-tax authorities, who say it should be taxed as a commercial operation. The Bangalore restaurant, however, is under no such pressure.

ISKCON says it is not a commercial outfit. It is a not-for-profit organisation, founded in 1966 in New York City by A.C. Bhaktivedanta Swami Srila Prabhupada to preach Bhakti Yoga, or "the science of devotional service to Lord Krishna". Today, it has 400 centres worldwide. Its restaurants are typically run by a trust. Profits from the sale of food mostly go into preaching or charity. ISKCON is the world's largest vegetarian food relief organisation. The ₹4 crore annual profit that ISKCON Bangalore makes is used to print religious texts, youth

Course of Devotion

A sampler of innovative items on ISKCON's menu

Chandan Ka Sarbat: a mocktail with a hint of sandalwood

Mango Rasgulla Chaat: a starter for those with a sweet tooth

Kabulistani Biryani: Afghan-style rice with tandoori cauliflower and potato

Vetrilai Thakkali Satham: a pulao cooked with tomato and betel leaf

Paan Ice Cream: the traditional flavour of betel leaves and accompanying spices

1. ISKCON's kitchens hire professional chefs and bakers who are trained in eggless and meatless cooking
2. Govinda Datta Dasa (left) runs the revenue-generating kitchens (not all of them generate revenue) at the Bangalore temple, with fellow-devotees Chamari Devi Dasi and chef Kaivalya Pathi Dasa

programmes and sometimes for free meal programmes.

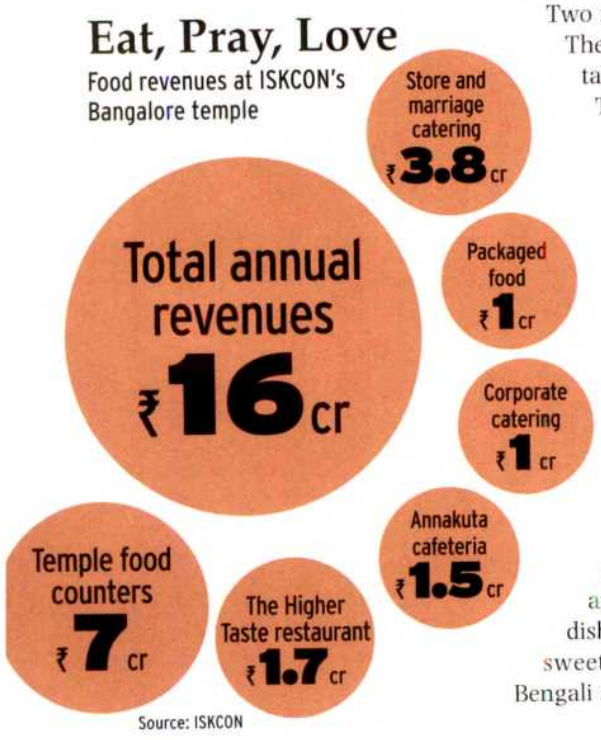
Cooking 1,200 dishes daily is a complex operation, and professional chefs and managers, overseen by devotees who are passionate about food, make things smooth for those who pay to get their minds and souls nourished. The revenue-generating kitchens alone have 60 chefs. The food must be offered to the Lord before eating, which means chefs cannot taste it while cooking. This is why they must perfect ISKCON's version of molecular gastronomy – a scientific cooking method that requires strict adherence to temperature and proportions of ingredients.

Work is divided between three units. Plant One is a huge production unit that caters to the temple counters that sell sweets, savouries, juice, and packaged products such as snack mixtures. Plant One also caters for companies and events. Plant Two makes cakes and cookies. The third division is the restaurants. Besides The Higher Taste, there is Annakuta, a cafeteria that sells fast-moving items such as dosas and sandwiches.

"We have separate managers for each division, but ISKCON has a centralised system to predict sales, receive orders and pass them on to different plants," says Chamari Devi Dasi. To handle the complexity, Plant One's kitchen is subdivided into ten – there are separate kitchens for rice dishes, snacks, North Indian sweets, South Indian sweets, Bengali sweets, laddoos, mixtures, samosas, fried fare, and a speciality kitchen that makes spring rolls, bread rolls, burgers and cutlets.

Devotee Kaivalya Pathi Dasa is a chef with a passion for experimentation. ISKCON, he says, is a master at innovation. An in-house food lab, started in 2005, is a repository of around 3,000 recipes that its fine dining restaurant draws on daily. Cooks and devotees constantly try out new combinations in the lab to keep *sattvic* cuisine alive and kicking. One of the experiments was on biryani: how can you create an authentic biryani taste without using meat, onion or garlic? The result was the Kabulistani Biryani, which substitutes meat – traditionally goat or lamb – with cauliflower and potato.

Continued research and development will be necessary for ISKCON to retain its fan following. But competition is brewing. Just a few weeks ago, two former employees of ISKCON teamed up to open Sattvam, a *sattvic* restaurant less than five kilometres from the temple. ISKCON has to grapple with problems that other food entrepreneurs face, such as attrition. How does ISKCON maintain quality given the staff churn? Pat comes Chamari Devi Dasi's reply: "Krishna is in charge. He's managing it." ◆



Send your comments to editor.bt@intoday.com

NANDAGOPAL RAJAN

Notes from the Future

Transiting from the digital to the physical world, and vice versa, is getting easier

Moleskine is a brand of premium paper notebooks. Evernote is one of the world's most popular apps for digital notetaking and archiving. So what is the Evernote Smart Notebook that Moleskine has brought out, all about? It is a physical notebook – with a difference. The product, in fact, provides a peek into a not-so-distant future where there will be more alliances between the physical and the digital worlds.

Write or scribble anything on this Moleskin notebook and you can instantly digitise it using the note capture camera in the Evernote app. The app tweaks the contrast between the handwritten words and the paper background, so that the image looks like a digital note. You can also add keywords that make these notes searchable. There are other apps that let you do the same like Google Keep launched recently. But for a physical notebook to be made and sold solely for use along with a smartphone or a tablet – along with an app – is definitely new.

Take any phone camera. Most of us use these to only click pictures. But I have found that the best use of the phone camera can be to take pictures of documents we all need to refer to often, such as a list of the monthly bill payments one has to submit to one's office. Save these photos to Evernote, or Dropbox, and you can access them from anywhere. Alternatively, save important files in digital formats like PDF, DOC or JPEG to these apps and you will be able to access them using a mobile device from anywhere. You do not need a top-end phone to do all this, even the cheapest Android phone is good enough.

Sadly, even those who own very expensive and powerful smartphones do not use these conveniences. The camera on smartphones and tablets is actually like an eye, a portal through which these devices connect to the physical world. And one can do a lot with this eye. Use it like a portable scanner, for instance. Just click and save the pictures or use apps to do more with them. I use a free app called CamScanner HD on my iPad to clean the images of documents I've clicked – which makes them look like actual scans. The app lets users organise, share, print and fax. Despite being actually shot using a mobile camera, the image quality is quite good. Paid apps do much more.

Many companies, even banks, have now started accepting digital versions of documents. There are digital signature apps that give these scanned documents another dimension altogether. DocuSign Ink is a superb app that can help add your signature to digital documents. Either click a picture of your signature on a piece of paper, or initialise directly using a stylus or finger on the touchscreen to record your signature. The app lets you call documents saved on your devices or cloud services and insert signatures where needed. I completed an entire enrolment procedure using this app and even filled the complete form using it. The documents were accepted without any hurdles. I doubt if anyone realised that I had not used a pen to write at all.

There will soon be more apps and services using the camera on mobile devices. YoPharma, the new online drug store, requires you to upload a scan of your doctor's prescription to order drugs. It is about to launch an app with a camera built into it to make the process simpler. Likewise, suit makers in Dubai have started accepting measurements online, again with the help of the camera. To calibrate the measurements, they ask the subject to stand at a certain distance holding a DVD or CD, which has a universal diameter. Cutting-edge technology can be as simple as that. ◆

The writer is Associate Editor, Gadgets & Gizmos

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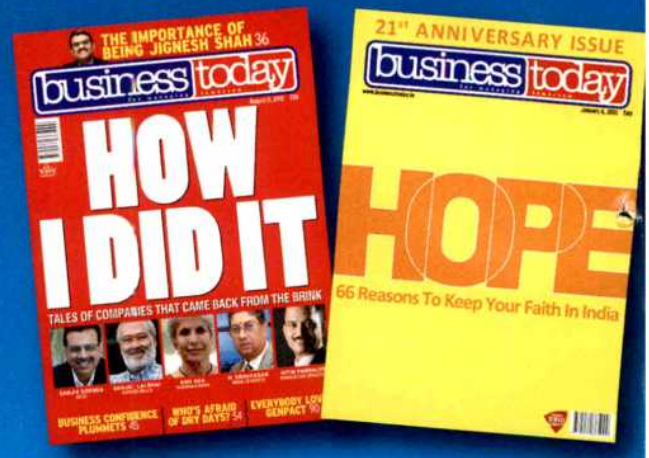

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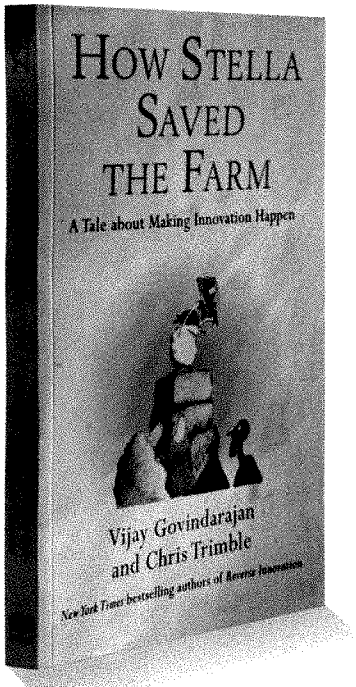
A Cock and Bull Story

A fable about both the need for innovation and the challenges in implementing it



How Stella Saved the Farm
A Tale About Making Innovation Happen
By Vijay Govindarajan and Chris Trimble
Macmillan
Pages: 160; Price: ₹399

Fables have often been used to drive home strong messages. George Orwell's 1945 classic *Animal Farm*, for instance, highlighted the dangers of communism. More recently, in 2006, John P. Kotter, an authority on leadership and change management, wrote *Our Iceberg Is Melting*, a fable emphasising the importance of responding correctly to change in an ever-changing world.

Now, Vijay Govindarajan, the Earl C. Daum 1924 Professor of International Business at the Tuck School of Business and an expert on innovation, and Chris Trimble, authors of *Reverse Innovation* and *The Other Side of Innovation*, have teamed up again to produce *How Stella Saved the Farm*, once more about innovation, but using the fable form.

Innovation is a complex subject. Not many companies realise the need for it till it is too late. Take global photographic equipment giant, Kodak, for instance, whose excessive focus on its existing business prevented it from seeing the opportunities opening up in digital photography. The rest, as the cliché goes, is history – Kodak is in the throes of bankruptcy.

But innovation is also much more than just the idea. The innovative idea is only the beginning. How one makes innovation happen is a different challenge. Should it be attempted by the existing workforce alongside its current responsibilities, or should a dedicated team be set up for it? How much focus should there be on innovation in terms of resources – how much of management time and company money should go into it? While innovation secures the future of an organisation, is it possible that in the process of pursuing it, companies could lose sight of the current operations, which are bringing in the money? How does one manage to 'feed the present, and seed the future'? Finally, how does one assess progress in innovation? These are questions senior honchos of every company involved in innovation seek answers to.

The book attempts to answer them through the events at Windsor Farm, which is run entirely by animals. The farm is in the midst of a leadership transition and has embarked on a process of innovation hoping it will help in securing its future, and fight off takeover attempts by other farms run by humans. But, instead of securing the future, the innovation experiment almost destroys the present by burning cash and creating deep differences within the organisation. How the animals rework their strategy (they do it repeatedly), stumble onto the right approach and finally see success forms the core of the book.

"Parable is a great learning tool. Just about every company grapples with the issues raised in the book," says Govindarajan. "Since it is a fiction, executives think it is not about their own company but some animal farm. They let down their guard and discuss issues in an open and non-defensive way. Sooner or later they realise that all the lessons from the book apply to them."

The book is easy to read and can be finished in a single sitting. The reader comes away from Windsor Farm with a better understanding of innovation and the myths typically surrounding it. ◆

N. MADHAVAN

Innovation is much more than just the idea. The innovative idea is only the beginning. How one makes innovation happen is a different challenge

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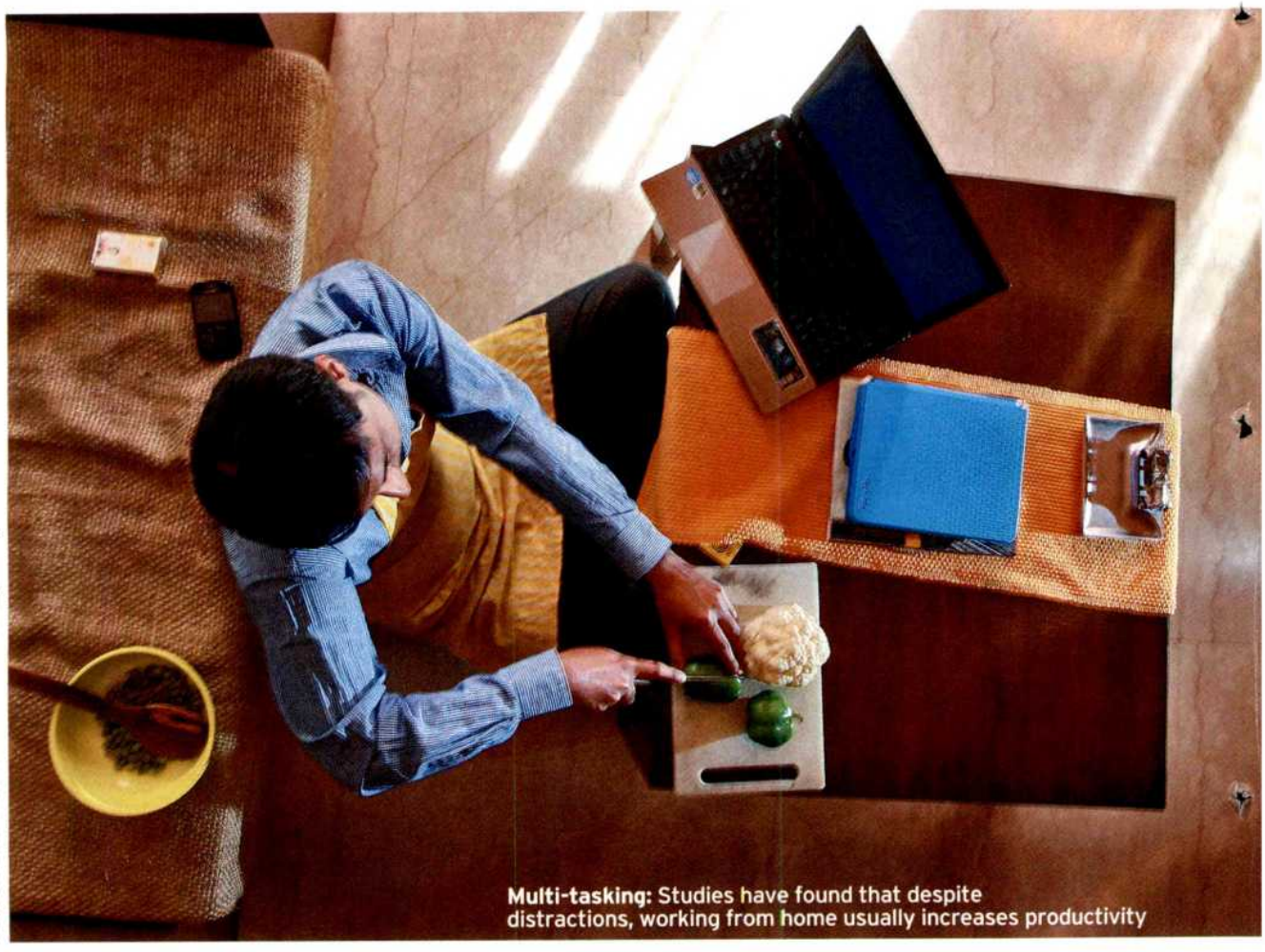
Much Ado About Homework

Allowing employees the choice of working from home usually – but not always – benefits both the employee and the company. By MANASI MITHEL



ADITYA KAPOOR/www.indiatodayimages.com

Multi-tasking: Studies have found that despite distractions, working from home usually increases productivity

Yadunandan S., a Bangalore-based consulting systems engineer with global networking giant Cisco, needs to work from home. He has a one-year-old son and believes in sharing child rearing duties with his working wife. He alternates all day between bathing, feeding and looking after his toddler on the one hand, and coordinating with fellow employees in his company's sales, marketing and engineering divisions on the other. "I'm constantly on the phone with colleagues both in India and outside," he says. Don't some of them find his multi-tasking strange? "Everyone understands," he adds. "Barking dogs and crying babies are no longer considered odd sounds on our international calls."

In a wired world, many jobs are

'location agnostic' – theoretically, the precise spot at which a person works ought to make no difference to the quality of his performance or the quantity of his output. In recent years, a number of companies have installed technologies which enable seamless communication, irrespective of location. A good number of these, Cisco among them, have started giving employees the option of working from home. There was always debate, however, over whether this practice, while certainly benefitting employees like Yadunandan, did the company any good. The debate has taken a sharper edge since late-February when Yahoo! CEO Marissa Mayer revoked the practice in her company, insisting all employees attend office.

Indian human resource (HR) experts believe Mayer's decision had more to do with Yahoo's persisting difficulties than an indication that the 'work from home' option promoted inefficiency. "Yahoo! has been going through a challenging time for the last few years," says Kris Laxmikant, CEO of HR consultancy Headhunters. "Maybe she wanted to create a sense of urgency to address this. It is not as if the technology to connect people is not working." Rituparna Chakraborty, Vice President of HR consultancy firm TeamLease, agrees. "Yahoo! needs to get back to the drawing board as a team. Every successful organisation has done this when required. The decision is a sensible one," he says.

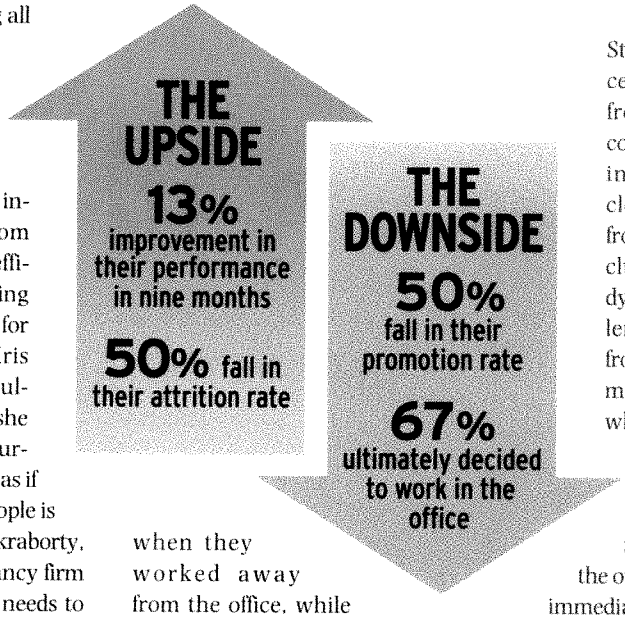
So what is the evidence in favour and against allowing employees to 'telecommute' – as working from home is called – should they want to? Some benefits are obvious: it enables companies to retain talent which may otherwise have taken a break from working, it allows women to get back to work much earlier than before from maternity leave, it saves employees the time and money spent on commuting to work and back. Indeed, globally, the practice began as an effort by companies to retain staff it valued.

Are there other benefits? Cisco itself conducted a global survey of its employees in 2009 which showed the company saved $277 million a year by offering the telecommuting option. In the study, 69 per cent of respondents said their productivity was higher when they worked away from the office, while 75 per cent felt they were better able to meet deadlines. "If you don't provide employees the right work-life balance, why would they put in the kind of hours they do," says Daisy Chittilapilly, President, Information Technology Systems, at Cisco for India and other SAARC countries. "If we don't offer flexible working conditions we'll break down as an organisation."

There have been other studies. Stanford University released the results of one such this February, conducted among call centre employees at Chinese travel company CTrip, which allows the 'work-at-home' option. Carried out over nine months, it looked at both those who worked from home and those in the office. It too found productivity rose by about 13 per cent when people worked from home, breaking this up further into a nine per cent improvement because those at home took fewer breaks and fewer days off when ill, and the remaining four per cent because, having a quieter work environment, they could make more calls per minute. But it also noted that those who stayed away from office were often passed over for promotion.

PROS AND CONS

The results of a Stanford University study, conducted at CTrip, a Chinese travel agency, on employees who worked from home



A startling feature of the Stanford study was that 67 per cent of those allowed to work from home eventually began coming to office. Lack of physical interaction with colleagues clearly does take a toll, apart from leaving the telecommuters clueless about changing office dynamics. There are other problems. Pooja, a testing analyst from an IT company is the only member of a 25-strong team who works from home, since she lives in another city. She took a transfer to the city to be with her family, which needed her. "When I worked in the office, I had to only deal with my immediate manager," she says. "Now that I am away, I have to also tackle the HR manager and other function heads. I also have less control over the kind of work you get." Indeed she feels she is given less work now than when she used to attend office.

Thus working from home has both benefits and drawbacks, but the way seamless global communication is improving, the concept of an 'office' at which employees congregate each working day may well itself become obsolete soon. ◆

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Description: The candidate should have 9 – 11 years of experience with identifying business requirements and implementing new solutions and substantial system enhancements.

Novartis Healthcare Private Limited
Senior Scientist
Location: Hyderabad
Job ID: 12957332
Description: Post MSC/MPHARM with min 8+ Yrs and with PHD 4+ Yrs of relevant experience in a GMP analytical laboratory, in the pharmaceutical industry.

LSI India Reaserch and Development Private Limited
R&D - Engineer
Location: Pune
Job ID: 12956322
Description: Ability to independently handle complex blocks to closure right from Synthesis.

Rolta India Ltd
SBU Head /Profit Centre Head
Location: Mumbai
Job ID: 12688358
Description: Develop a practice to build customer focused solutions in " Electric Distribution" domain.

Avtar Career Creators
Head HR
Location: Lucknow
Job ID: 12990939
Description: Looking for Head HR (Only Female) Education : MBA - HR (Full Time).

Depa India
Planning Manager
Location: Mumbai
Job ID: 12907568
Description: Develop, approve and monitor the project schedules and ensure that all project milestones are matching with the project deadlines.

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TATA Consultancy Services Ltd.
Project Lead - Process 360
Location: Chennai
Job ID: 13103780
Description: We are looking for Project Lead with 4-5 yrs of Exp. Must have BPM Concepts, Process 360 components and other applications such as Document Review, Form Outliner etc.

JSW Steel Limited
ERP, CRM - Functional Consultant
Location: Bellary
Job ID: 11953335
Description: Check ECC master data and correct from APO perspective. Analysis of SNP Optimisation run.

Sapient
Software Engineer/ Programmer
Location: Gurgaon
Job ID: 13053345
Description: The role can be categorized as a "XAML" Senior Developer.

Value Labs
Team Leader/ Technical Leader
Location: Hyderabad
Job ID: 12987395
Description: Work closely with other groups to capture knowledge and make usable to support group.

UST Global
Java J2ee Lead
Location: Cochin / Kochi / Ernakulam, Thiruvananthapuram / Trivandrum
Job ID: 12850527
Description: 4-10 years development experience in Java/J2eeDefining technical architectures, driving technical solutions.

Mastek Limited
Automotive Engineer
Location: Mumbai
Job ID: 13055220
Description: Experience of using test management and defect management tools.

Robert Bosch Engineering and Business Solutions Limited
Project Manager
Location: Bangalore
Job ID: 13009054
Description: Experience in managing medium to large size software projects, experience in people management.

Perficient India Private Limited
ERP, CRM - Technical Consultant
Location: Chennai
Job ID: 13031734
Description: Thorough knowledge of underlying Oracle Apps technology stack, database architecture, schemas/products and database objects.

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Angel Broking Ltd
Relationship Manager
Location: Ahmedabad
Job ID: 12848728
Description: Associate RM/Relationship Manager/Sr.Relationship Manager for equity ,Commodities and Currencies.

NCR Corporation India Pvt. Ltd.
Sales Manager
Location: Chennai
Job ID: 13083965
Decription: Direct Sales experience m Channel sales experience preferred but must.

Unity Infraprojects Ltd
Marketing Executive
Location: Delhi, Hyderabad
Job ID: 12989797
Description: Graduates from marketing background with for AME machine sales purpose in Mumbai, Chennai and Delhi region.

Jobzebra
Sales Exec/ Sales Representative
Location: Bangalore, Chennai
Job ID: 12942247
Description: Identifying and qualif customers, Initiating and building custo relationships.

Kelly Services India Private Limited
Deputy Manager Sales
Location: Kolkata
Job ID: 12897629
Description: Should have sales (not internal sales) experience of high valve capital goods, exposure to Engineering and Procurement contractors, lumpsum turnkey contracts and public sector units.

Teradata
Regional Sales Manager
Location: Mumbai
Job ID: 12890969
Description: Looking for a senior professional to generate revenue by clc strategic account sales.

Gati Kintetsu Express Private Limited
Sales Exec/ Sales Representative
Location: Cochin / Kochi / Ernakulam, Coimbatore
Job ID: 12421560
Description: Looking for a young, energtic & dynamic sales executive with passion to perform.

ONI ENTERPRISES
Channel Sales Manager
Location: Kolkata, Guwahati
Job ID: 12909825
Description: Looking for Zonal Man East (Blended Packaged Tea).

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ACS, Inc.
Chartered Accountant (CPA)
Location: Bangalore
Job ID: 12896932
Description: Should be a Chartered Accountant with 4-6 year of experience.

Akshay Software Technologies Ltd
Chartered Accountant (CPA)
Location: Bangalore
Job ID: 12875462
Description: Managing multi-locational financial statements covering Mauritius, Cayman Islands, Singapore, US, Bombay, Bangalore etc.

Allscripts
Sr Financial Analyst
Location: Pune
Job ID: 12934099
Description: The candidate must have 3-4 years of financial planning and analysis experience in the IT/ITES industry.

Polaris Software Lab Limited
Trade Finance/ Cash Mgmt Services - Head/ Mgr
Location: Mumbai
Job ID: 13020866
Description: Responsible for adherence to all proposal review and approval processes within the organisation.

Syntel Limited
Financial Analyst
Location: Mumbai
Job ID: 13066644
Decription: Minimum 1 yr of experience in core Finance & Accounts.

Sungard Solutions India Private Limited
Executive - Finance
Location: Pune
Job ID: 12977957
Description: Understands the controls and criticality of payment run process within an organization.

TIBCO Software India Private Limited
Commission Analyst
Location: Hyderabad
Job ID: 12104029
Description: Minimum of 3 year related experience in data analysis and experience supporting a sales organization to include experience with Commissions Analysis and administration.

Deloitte Consulting India Private Limited
Analyst - Global Finance- MFRG
Location: Hyderabad
Job ID: 13039772
Description: Assists Manager and Senior Analyst in creation of project deliverables.

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On Cloud Nine

The new CEO of cloud software provider VMware is driving his company in new directions. VMware will shortly compete with the likes of Amazon and Microsoft in the cloud infrastructure-as-a-service market. **PAT GELSINGER**, the CEO, who was in India recently, also announced an investment of $120 million in this country. For starters, the company is leasing a 420,000 sq. ft. building in Bangalore which can accommodate 2,700 employees. VMware's existing research and development team of 800 in India is only second in size to that at the company headquarters in Palo Alto, California. Gelsinger, who earned his spurs working for chipmaker Intel for three decades, was all praise for his India team. "India is participating in every one of our priorities. We have projects here like networking, management and storage. The largest piece of the core software development that happened for Hybrid Cloud (a new solution) occurred here in India," he says.

GOUTAM DAS

Pat Gelsinger
CEO, VMware

NILOTPAL BARUAH/www.indiatodayimages.com

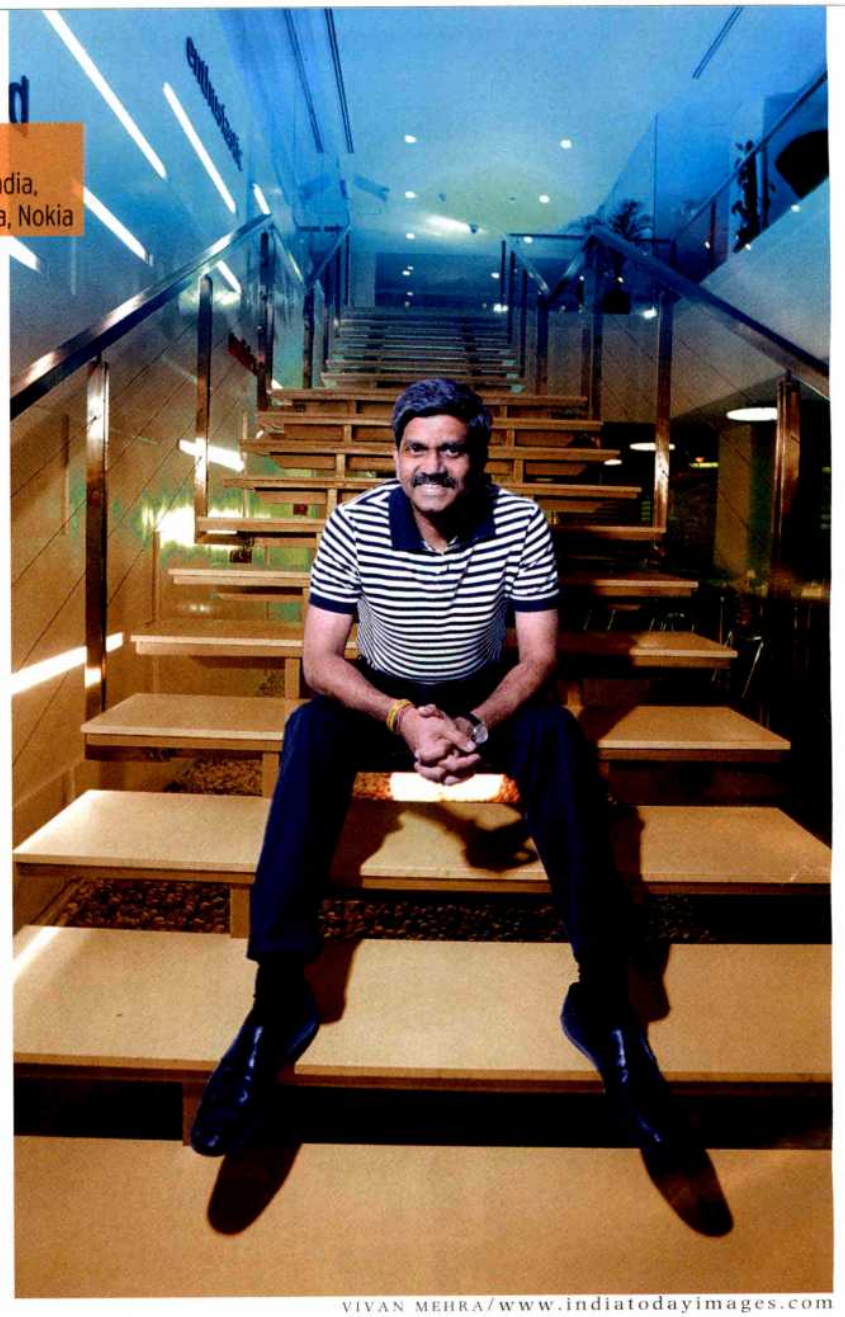
Work the Talk

She has always shunned the limelight. **CHITRA RAMKRISHNA**, 49, who took over recently as the new Managing Director and CEO of the National Stock Exchange (NSE), India's largest stock exchange, prefers instead to let her work do the talking. Part of the core team that has been with the NSE since its inception in the early 1990s, she was formerly joint managing director. It is said that even before she took charge, she attended a series of in-house meetings in Delhi and Mumbai, and held more meetings with the country's leading brokerage houses to prepare for her new role. Sources say she wants the employees to push themselves to the maximum and in turn will champion their causes forcefully, such as their demand to increase staff and improve systems and technology.

MAHESH NAYAK

Chitra Ramkrishna
MD/CEO, National Stock Exchange

NISHIKANT GAMRE/www.indiatodayimages.com



D. Shivakumar
Sr Vice President, India, West Asia and Africa, Nokia

Thumping Exit

D. SHIVAKUMAR, the soft-spoken outgoing Operations Head, Emerging Markets (including India) at Nokia, makes his point by thumping the table. But that is about the only loud aspect of this otherwise soft-spoken man, who quit after an eight year long stint with the Finnish handset giant. He was in charge when Nokia had its best run in India, capturing almost two-thirds of the market. Since then, no doubt, Nokia has slipped, failing to respond adequately to the demand for smartphones and dual SIM card phones. Very comfortable with numbers, Shivakumar makes a point of his memory when he says of his Mont Blanc pen of many years. "I don't forget it anywhere," he told *Business Today* a year ago. Shivakumar's replacement will have to be as good as, if not better than him, if Nokia is to chart the revival it seeks.

SUNNY SEN

VIVAN MEHRA/www.indiatodayimages.com

Anant Agarwal
President, edX

Enterprising Teacher

For as long as he can remember, **ANANT AGARWAL** has been fascinated by enterprise. As a 13-year-old growing up in Mangalore, he started a chicken farm and later tried his hand at grafting roses. Today, he is President of edX, a joint Massachusetts Institute of Technology and Harvard University venture in online learning. "Our vision is to increase access to quality education around the world so students can take our courses," he says. India, of course, is high on Agarwal's agenda, given that edX attracts the second highest number of takers from this country.

SHAMNI PANDE

Tony Tyler
CEO/DG, IATA

Air, There and Everywhere

Ever since he took over as CEO and Director General of the International Air Transport Authority (IATA) in July 2011, **TONY TYLER** has been travelling extensively to meet member airline representatives across the globe. Recently in India, Tyler, an industry veteran with over three decades of experience, says that if the country's aviation market has to grow, the government must reduce high fuel taxes and airport charges. "State sales tax on aviation fuel is as high as 30 per cent. That's not sustainable," he adds. "In 2012, the global average growth for domestic markets was four per cent whereas the Indian domestic market declined by two per cent." He notes that many foreign airlines see huge opportunity in India, but find the current environment too costly to operate in. A British national, Tyler, who was born in Egypt, likes skiing in the Alps around Geneva.

MANU KAUSHIK

ADITYA KAPOOR

KUNWER SACHDEV
MD, Su-Kam Power Systems Ltd

My first guru
C.K. Prahalad. He saw potential in my ideas

My first job
I started off selling pens with my brother

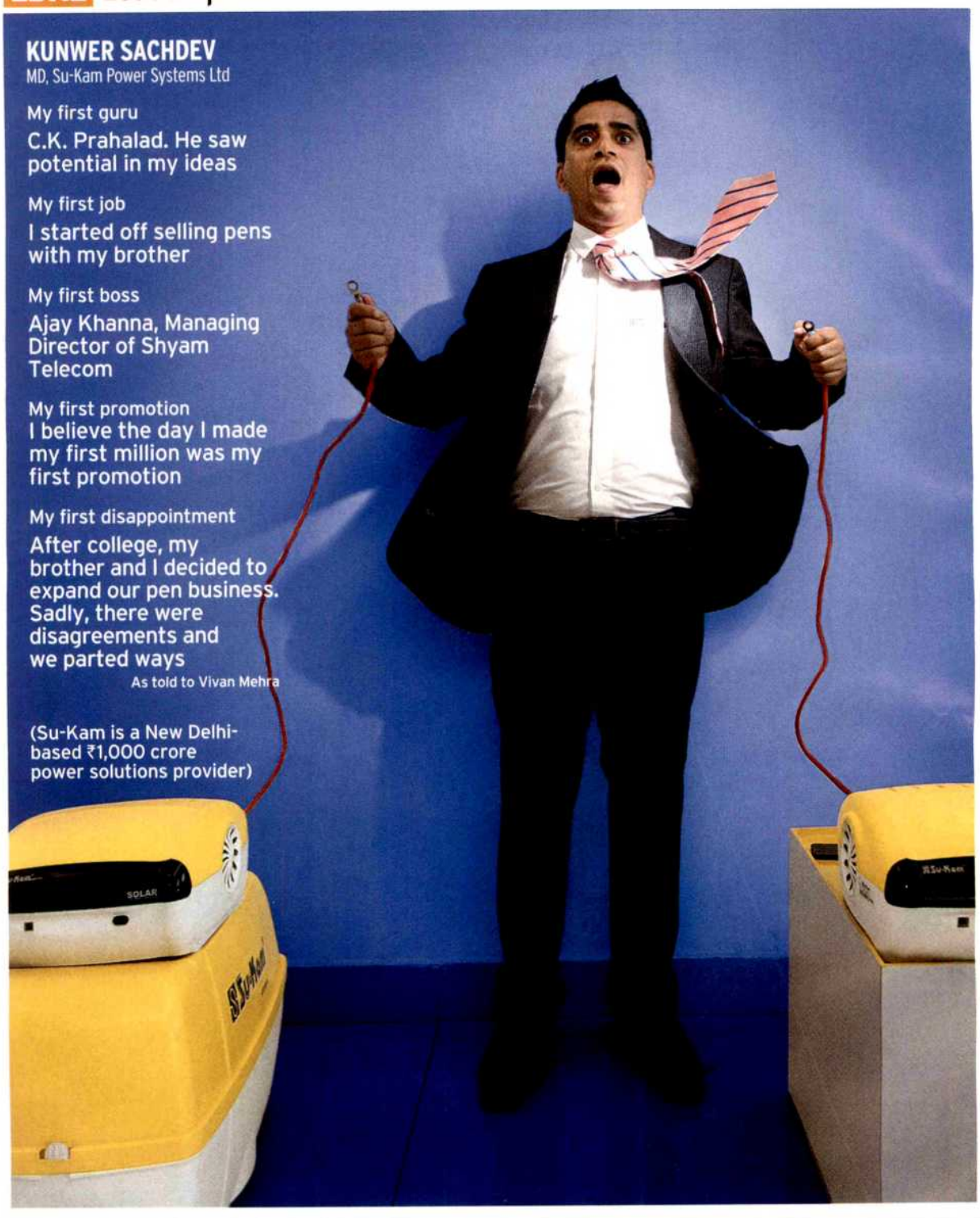
My first boss
Ajay Khanna, Managing Director of Shyam Telecom

My first promotion
I believe the day I made my first million was my first promotion

My first disappointment
After college, my brother and I decided to expand our pen business. Sadly, there were disagreements and we parted ways

As told to Vivan Mehra

(Su-Kam is a New Delhi-based ₹1,000 crore power solutions provider)



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